

2005-2009 Strategic Plan

MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT



★MISSION

We will achieve our vision through stimulating and supporting economic security, opportunity, growth, and a high quality of life in Missouri communities.

★VISION

To make Missouri the best place to live, work, vacation, and conduct business.

Executive Summary

Through the vision and leadership of Governor Matt Blunt, the Department of Economic Development has worked and will continue to maintain Missouri's business climate as one of the best in the country and as an even more attractive place for businesses to locate and expand. Currently, Missouri rates as the 10th best tax climate in the U.S. and the best among adjacent states, according to the Tax Foundation, and we feel confident that we can continue to strive to maintain our standing amongst other states.

Governor Blunt charged the Department of Economic Development with making meaningful changes to ensure that Missouri continues to create jobs and keep jobs for Missourians. We have taken the challenge making our state more hospitable to businesses both large and small. Due to Governor Blunt's reforms and aggressive efforts we have added 45,000 new jobs and we have seen personal income grow at a rate greater than the national average.

Through continued efforts by the Department, several important pieces of legislation have been passed that will continue achieving a proper balance between advocating economic opportunities. In the 2004-2005 legislative session, the Quality Jobs Act was created allowing business owners to keep a portion of the withholding taxes they would ordinarily pay for new employees. Major firms like Express Scripts and Pfizer have taken advantage of the Quality Jobs Act and around additional 60 companies have followed suit and signed with the new programs anticipating the creation or retention of about 11,000 high-paying jobs over the next 3-5 years. In addition, the Small Business Regulatory Fairness Board was created in 2004 giving small business owners an important component of our economy and a strong voice in the development of rules and regulations by Missouri state departments and agencies. By stimulating business growth through legislation, Missouri has seen a total of 15,995 new business formations in the past year.

Regulatory changes have reformed the Worker's Compensation system protecting the rights of workers while also protecting employers from frivolous law suits and making employers liable only for injuries for which the workplace is the "prevailing" cause for the injury. By enacting worker's compensation reform, many businesses are enjoying the economic freedom our market promotes. In addition, the passage of tort reform legislation has prevented physicians from being forced out of this state because of soaring medical malpractice costs while at the same time ensuring that small businesses will be able to flourish without the threat of outrageous legal awards hanging over their heads.

Within the Department of Economic Development, the divisions of Business Development & Trade and Community Development were combined providing an aggressive business recruitment strategy. Through this structure of highly-trained, dedicated teams, increased emphasis is focused on marketing and selling Missouri as a great place to do business and expand community infrastructure attracting and retaining family-supporting jobs. More staff members are now in the field providing a complete range of services to both communities and businesses, allowing better communication and increased cooperation.

At the request of Governor Blunt, the Department was tasked with increasing operation efficiencies. We aggressively heard his call and worked to improve efficiency, resulting in reduction of cost and elimination of duplicative use of resources. General Services is now working with the Office of Administration (OA) to develop a complete strategy to consolidate mailroom operations. The Department also recently transferred the management of building leases and state-owned buildings to OA Facilities Management and has also consolidated Department Administration vehicle fleet with OA vehicle fleet.

The Incentive Review Committee thoroughly reviewed 62 existing state and local incentive programs administered by the Department of Economic Development, the Missouri Development Finance Board, the Missouri Housing Development Commission and a political subdivision of the

state and made recommendations to improve the economy and quality of life of our communities. Representatives of each agency and other stakeholders eagerly participated in the process along with the public comment. The final report was submitted on November 22, 2005, and action is being taken to implement the determined recommendations. Recommendations included combining and/or maintaining numerous small business programs, seed/venture capital programs, competition project programs, affordable housing programs, community development programs, public purpose infrastructure programs and redevelopment programs. The full report can be downloaded from our web site at <http://www.ded.mo.gov/>.

An increase in the number of innovation centers and incubator facilities in Missouri will continue to promote economic prosperity by providing numerous start-up businesses and the Department is updating existing programs to suit the needs of these companies in order to foster public and private collaborations to attract research funding to Missouri and speed the translation of technologies into commercial opportunities and jobs. Missouri's institutions conduct approximately \$1 billion in research annually providing the opportunity to turn innovation into thriving companies.

The Department of Economic Development reflects the values of the people in our state and will continue to focus on attracting high-quality, high-paying jobs for our citizens.

Greg Steinhoff
Director

Table of Contents

Department of Economic Development.....	1
I. Economic Indicators.....	
Per Capita Income.....	2
Rate of Unemployment.....	3
Payroll Employment.....	4
Manufacturing Employment.....	6
Taxable Sales.....	7
II. Economic Security for Missourians.....	
Affordable & Dependable Utilities	8
Objective Measure 1a – Continuing electric price stability for utility customers	
Safe and Sound Financial Institutions.....	11
Objective Measure 1b – Decreased number of Financial Institutions with Problems	
Innovation and Entrepreneurship.....	13
III. Opportunities for Missourians.....	
Family-Supporting Jobs.....	16
Objective Measure 2a – Increase the Number of High Wage Jobs Created & Retained in Missouri by Firms	
Skilled Workforce at Work in Missouri.....	18
Objective Measure 2b – Increase the Number of People Who Entered Employment	
Small Business Regulation.....	21
IV. Growth in Missouri.....	
Investment in Missouri.....	24
Objective Measure 3a – Increased number of Dollars of Investment in Missouri by Firms	
Leveraged Funds.....	27
Objective Measure 3b – Increased Amount of Leverage	
Financial Resources.....	28
Objective Measure 3c – Increased Sales Tax Revenues from Tourism SIC/NAIC Sales	
V. Quality of Life for Missourians.....	
Community Infrastructure.....	31
Objective Measure 4a – Increased Number of New and Improved Infrastructure Systems	
Housing Units for Missourians.....	33
Objective Measure 4b – Increased Number of New and Rehabbed Housing Units	
Community Facilities.....	35
Objective Measure 4c – Increased Number of New and Renovated Facilities	
Citizenship.....	36
Objective Measure 4d – Increased Number of Volunteer Hours	
Licensing Qualified Professionals.....	38
Objective Measure 4e – Increase the Number of Licensees with No Violations	
VI. Departmental Efficiency & Cost Savings.....	41
VII. Legislative Action.....	46

Department of Economic Development

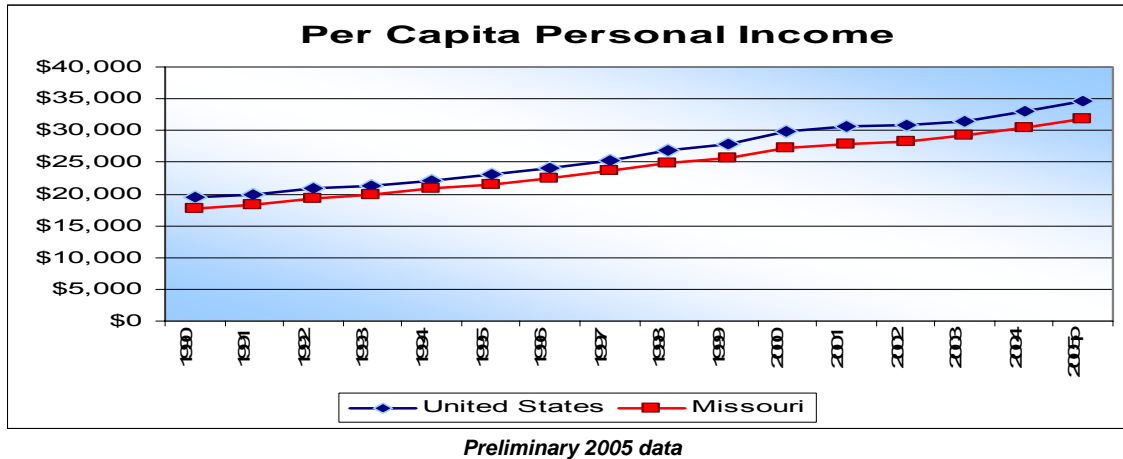
The Department of Economic Development administers a wide array of services designed to enhance Missouri's economic growth in the 21st century. These services focus on workers, businesses and communities. The department is composed of agencies that administer statutory requirements and department policy in the areas of community, economic, and workforce development, as well as the regulation of financial institutions, utility companies and various licensed professionals.

The department was established September 7, 1984, after voters granted approval to rename the existing Department of Consumer Affairs, Regulation and Licensing, which was created in 1974 during a reorganization of state government.

Mission				
<i>We will achieve our vision through stimulating and supporting economic security, opportunity, growth and a high quality of life in Missouri communities</i>				
	II. Economic security for Missourians	III. Opportunity for Missourians	IV. Growth in Missouri	V. Quality of Life for Missourians
	1a. Continued electric price stability for utility customers	2a. Increased number of high wage jobs created in Missouri firms	3a. Increased number of dollars of investment by Missouri firms	4a. Increased number of new and improved infrastructure systems
	2b. Decreased number of problem financial institutions	2b. Increased number of people who got a job (entered employment)	3b. Increased amount of leverage	4b. Increased number of new and rehabbed housing units
	3c. Increased number of facilities to promote innovation and entrepreneurship.	2c. Increased business input on policy regulation	3c. Increased tax revenues from Tourism SIC/NAIC sales	4c. Increased number of new and renovated facilities
				4d. Increased number of volunteer hours
				4e. Decreased number of incompetent, negligent, fraudulent, dishonest services by licensed professionals

I. Economic Indicators

Per Capita Income



Definition of Per Capita Income

Per capita income is total personal income per person. Personal income includes income received from all sources including salaries and wages, rental income, interest income and transfer payments.

Importance

Per capita income is an indicator of wealth in a region.

Trends

From 1990-2005, per capita income in Missouri grew by 81.0% compared to 77.6% for the nation as a whole. Although personal income has been growing in recent quarters, there is some concern that income and wage growth may not be keeping pace with inflation increases. Per capita income in Missouri will likely continue to grow at a modest rate, but the transfer payments component should be closely monitored.

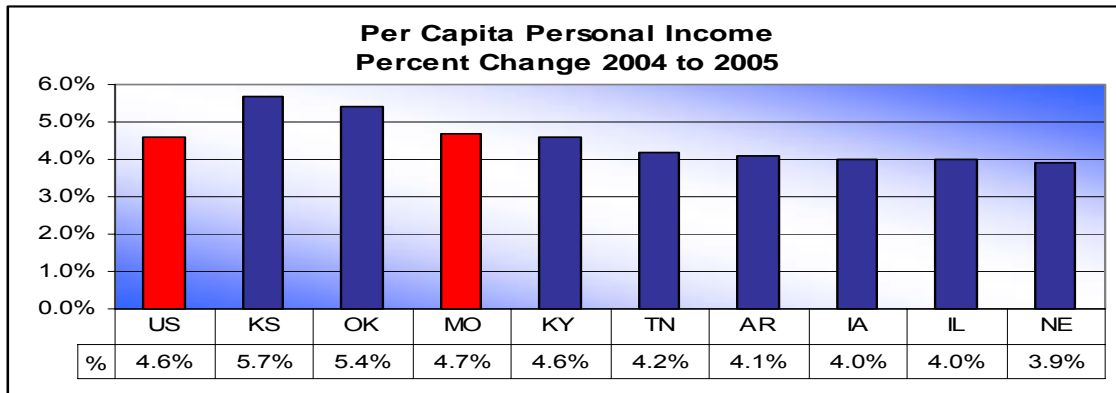
Comparison

As of 2005, Missouri ranks 31st among the states (Connecticut is first, Louisiana is 50). Of Missouri's neighboring states, Missouri ranks behind Illinois, Nebraska, Kansas and Iowa.

2005 Per Capita Personal Income

Source: U.S. Bureau of Economic Analysis

US	\$34,586
Illinois	\$36,120
Nebraska	\$33,616
Kansas	\$32,836
Iowa	\$32,315
Missouri	\$31,899
Tennessee	\$31,107
Oklahoma	\$29,330
Kentucky	\$28,513
Arkansas	\$26,874



Strategies

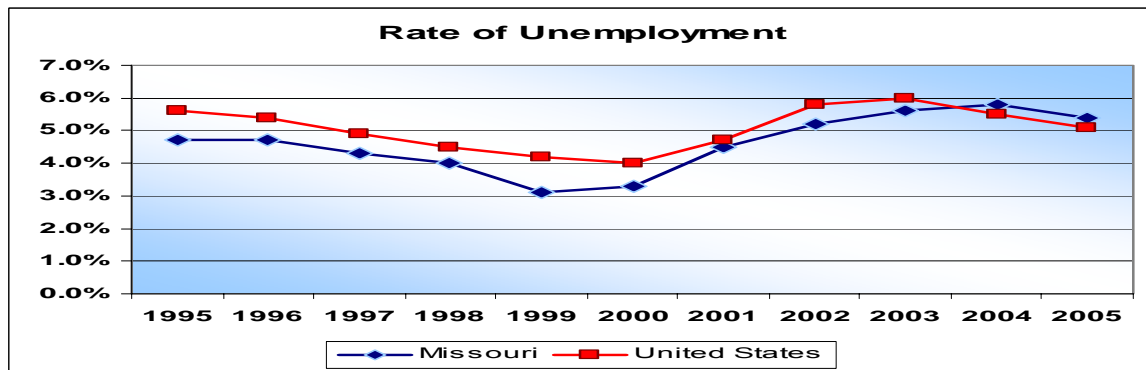
Clearly salaries and wages are the largest driver of per capita income. If more jobs are available at high-paying wages, per capita income will grow faster. At the same time, the workforce must have the necessary skills and training so that these high-paying jobs can be readily filled.

NOTE: Changes in population also affect per capita personal income.

References

- ❑ Bureau of Economic Analysis, United States Department of Commerce www.bea.doc.gov
- ❑ Missouri Economic Research and Information Center, Missouri Department of Economic Development www.MissouriEconomy.org

Rate of Unemployment



Definition of Rate of Unemployment

The unemployment rate represents the number of unemployed as a percentage of the labor force. To be considered unemployed, a person must be available for work **and** making specific efforts to secure employment.

Importance

The unemployment rate is an indicator of the number of people working in a region, and is thus an indicator of the economic health of a region. Economists consider an unemployment rate between 4-5% as full employment.

Trends

- ❑ National and global economic conditions influence the state's unemployment rate.

- ❑ After the recession of the early 1990's, Missouri enjoyed several consecutive years of declining unemployment. Missouri's unemployment rate has trended upward in recent years, but declined during 2005.
- ❑ Employment is a measure of the number of jobs, not the quality of those jobs. It is important to measure both the amount of employment and the type of employment in the state.

Comparison

- ❑ The unemployment rate in Missouri closely follows patterns in the unemployment rate at the national level, although Missouri's rate has historically almost always below that of the nation.
- ❑ In comparison to contiguous states, Missouri had the fourth highest rate of unemployment in 2005.

2005 Rate of Unemployment Comparison

Nebraska	3.8%
Oklahoma	4.4%
Iowa	4.6%
Arkansas	4.9%
Kansas	5.1%
Missouri	5.4%
Tennessee	5.6%
Illinois	5.7%
Kentucky	6.1%

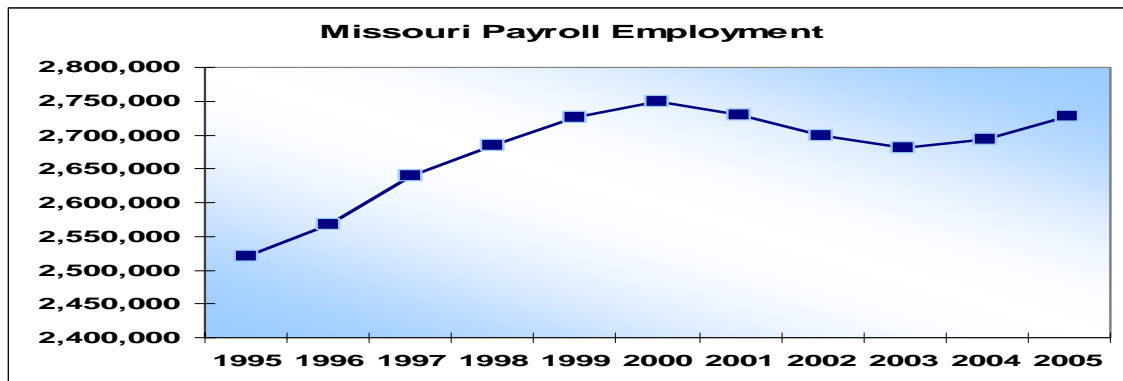
Strategies

- ❑ Creating a business-friendly environment that assures job availability
- ❑ Delivery of program services that target rapid matching of job seekers to employers
- ❑ Delivery of program services that equip the workforce with skills that align with the expected future demand for labor

References

- ❑ Bureau of Labor Statistics, United States Department of Labor www.bls.gov
- ❑ Missouri Economic Research and Information Center, Missouri Department of Economic Development www.MissouriEconomy.org

Payroll Employment

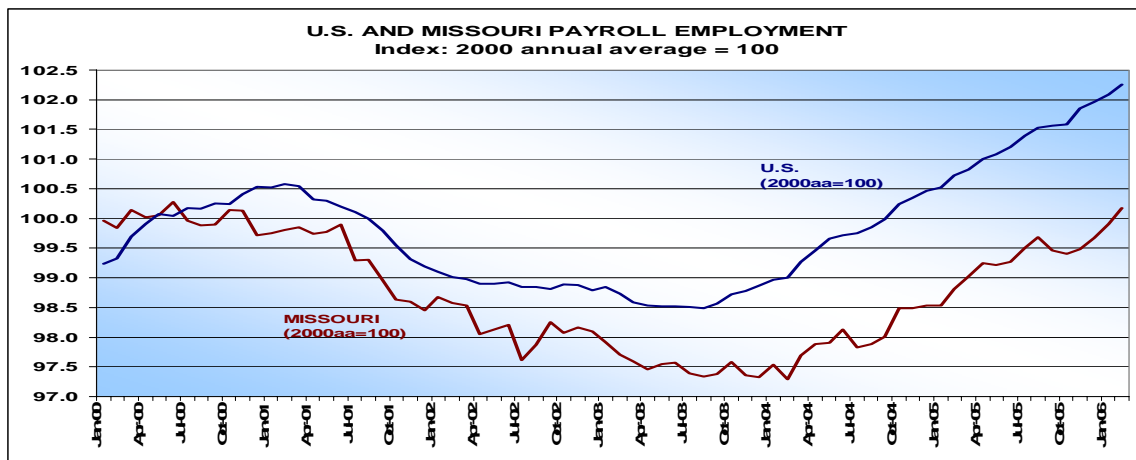


Definition of Employment

Payroll employment is an estimate of the number of jobs filled in an area using a "place of work" estimate. That means it is a measure of jobs available rather than an estimate of the number of people working.

Importance

Payroll employment provides an estimate of current jobs in an area. Rising employment indicates more jobs are available and are being filled.

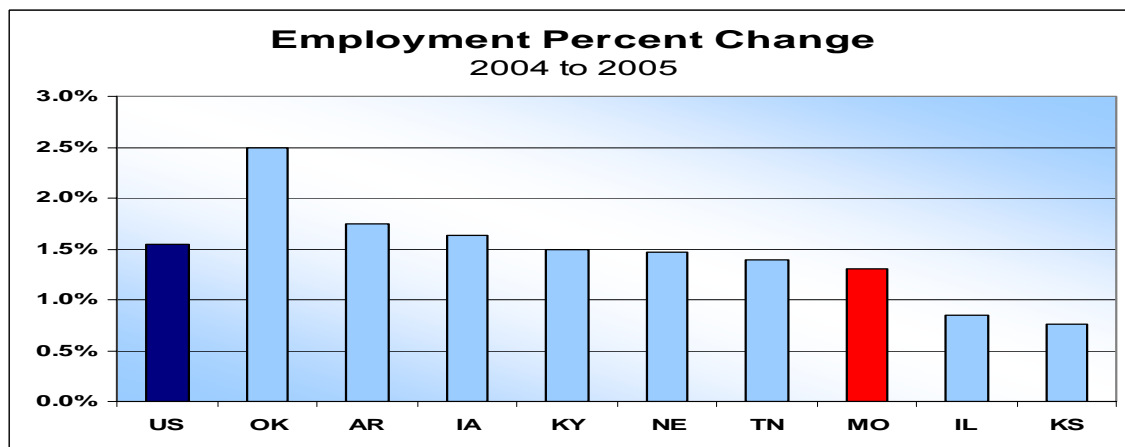


Trends

- ❑ Missouri's employment grew steadily during the mid- to late 1990s, then fell gradually following the 2001 recession. Employment in Missouri gained in 2004 and has shown additional improvement in 2005.
- ❑ Employment measures the number of jobs and a person may hold more than one job at a time. It is important to remember that employment is just one indicator of a state's economic well-being.

Comparison

While employment in Missouri is improving, it has not had the same level of growth in the last year as most of the surrounding states or the nation as a whole.



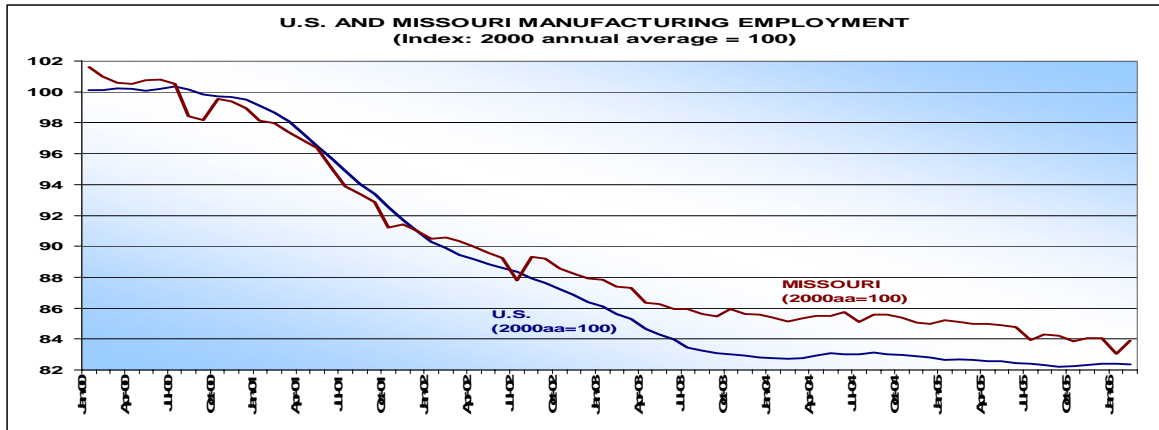
Strategies

- ❑ Creating a business-friendly environment that assures job availability.

References

- ❑ Bureau of Labor Statistics, United States Department of Labor www.bls.gov
- ❑ Missouri Economic Research and Information Center, Missouri Department of Economic Development www.MissouriEconomy.org

Manufacturing Employment



Definition of Manufacturing Employment

Manufacturing employment measures the number of jobs classified as being in the manufacturing sector.

Importance

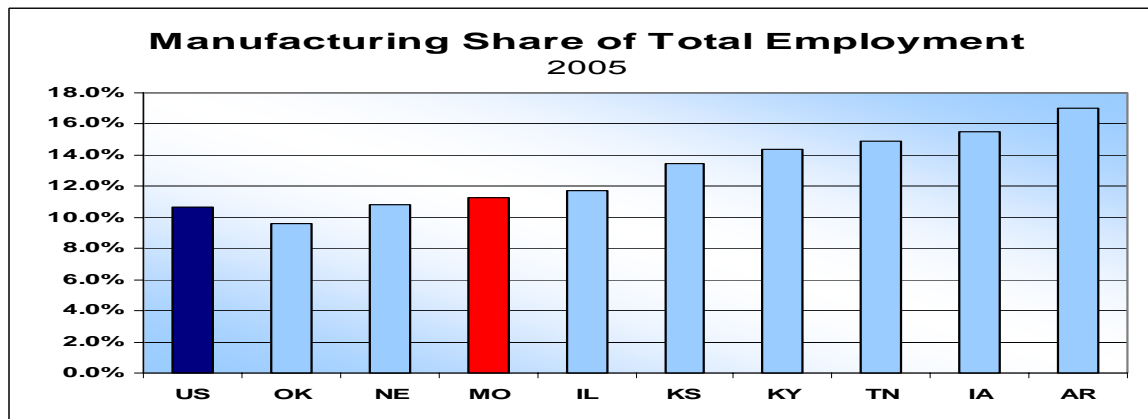
The manufacturing sector contributes to a significant portion of Missouri's economy. Jobs in this industry typically pay above average wages.

Trends

- ☐ Manufacturing employment has declined in both Missouri and the U.S. following the most recent recession. Manufacturing employment continues to trend downward.
- ☐ Following the rapid decline in manufacturing, employment in both the U.S. and Missouri has remained fairly steady.
- ☐ Manufacturing as a whole has been declining across the U.S. as it moves toward a more service-based economy. Technological advances and improved efficiency in process often lead to declines in the manufacturing sector.

Comparison

- ☐ Manufacturing made up 11.3 percent of Missouri's total employment in 2005 compared to 10.7 percent for the nation as a whole.
- ☐ Six of Missouri's neighboring states have a larger percentage of manufacturing employment, making them more susceptible to declines in the sector.



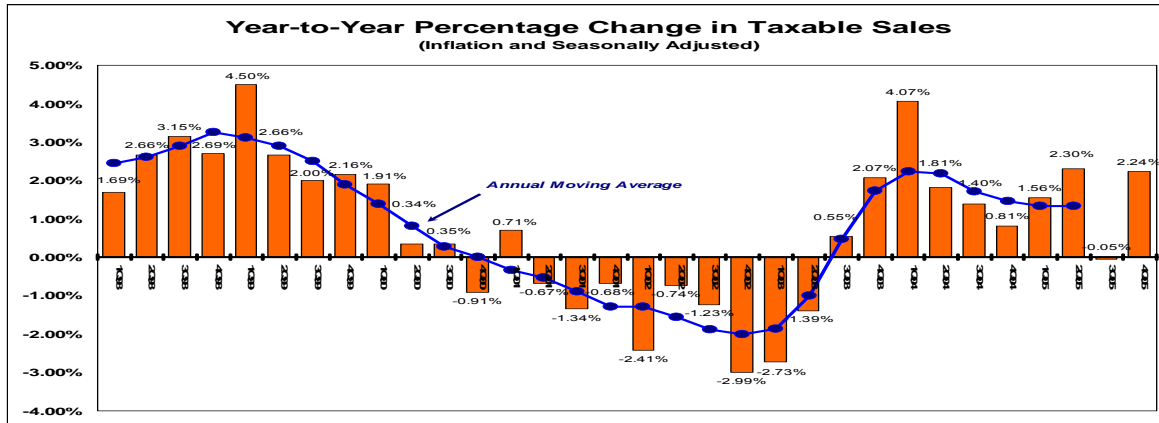
Strategies

- ❑ Targeting new areas of manufacturing where the state has competitive or comparative advantages.

References

- ❑ Bureau of Labor Statistics, United States Department of Labor www.bls.gov
- ❑ Missouri Economic Research and Information Center, Missouri Department of Economic Development www.MissouriEconomy.org

Taxable Sales



Definition of Taxable Sales

Taxable sales measure the total amount of sales in an area that were subject to sales and use taxes. It is not a measure of the sales tax revenue collected from those sales.

Importance

Taxable sales provide an estimate of spending in the state. It not only provides an estimate of consumers' willingness to spend, but also has implications for the amount of sales tax revenue collected by state and local governments.

Trends

- ❑ Taxable sales in the state declined steadily from 2001 to the beginning of 2003, but have generally increased since the 3rd quarter of 2003 with the exception of the 3rd quarter of 2005.
- ❑ Taxable sales tend to follow a similar pattern as the national Retail Sales figures which have had solid gains in recent months.
- ❑ The level of taxable sales depends on factors beyond spending including state tax laws and exemptions.

Comparison

- ❑ Not able to compare Missouri with other states due to unavailability of data and disparity of tax laws.

Strategies

- ❑ Higher wages and better jobs give people more money to spend.

References:

- ❑ Missouri Department of Revenue www.dor.mo.gov
- ❑ Missouri Economic Research and Information Center, Missouri Department of Economic Development www.MissouriEconomy.org

II. Economic Security for Missourians

Providing economic security is necessary to promote economic growth for the state. The Department contributes to economic security by working to maintain utility price stability ensuring the safety and soundness of financial institutions; and providing economic resources to new businesses by:

- ❑ Maintaining affordable, reliable and safe utilities through timely review and resolution of rate cases, effective interventions on behalf of utility customers and efficient regulatory procedures.
- ❑ Effective representation by the Office of the Public Counsel of the interests of utility customers before the Public Service Commission (PSC) and in the courts.
- ❑ Examining financial institutions to identify problems that would affect safety and soundness
- ❑ Examining consumer credit outlets for compliance with state consumer protection laws and regulations.
- ❑ Investing in higher education institutions to promote technology commercialization.
- ❑ Providing state resources to new companies to foster innovation and research.

Affordable & Dependable Utilities

Continued electric price stability for utility customers promotes economic security for individuals, businesses and communities. Utility costs represent a major budget item for many households. Increasing prices would cause financial difficulties for some households and in general would reduce the amount of money available to consumers to spend on other goods and services. In the case of businesses, rising electric prices could force some out of business or cause them to leave the area or state in search of lower costs of operation. Others might be forced to raise prices, which could result in lower sales and lower employment. These circumstances would negatively affect the economic security of the communities in which the businesses and individuals are located, in addition to the direct effects of higher electric prices on municipalities, schools and other community services.

The PSC encourages energy conservation by its distribution of educational materials available to the public through its web-site, during local public hearings and by requests made to the Commission's Consumer Services Department. It monitors Missouri's electric utilities' baseload generation through integrated resource planning filings and regular meetings with the staff of the Commission. Commission rules support the importance the PSC places on ensuring that enough baseload generation will be available for Missouri, now and in the future so that Missouri consumers will not be significantly exposed to energy costs at market rates which are beyond state regulatory control. Specifically, Commission rule (4 CSR 240-22.010 (2) states that "...the resource planning process at electric utilities shall be to provide the public with energy services that are safe, reliable, efficient, at just and reasonable rates, in a manner that serves the public interest." Chapter 22 further requires Missouri electric utilities to evaluate energy efficiency demand-side programs on an equal basis with traditional generation resources.

Objective Measure 1a - Continuing electric price stability for utility customers – residential, commercial and industrial

Average Missouri Residential Electric Revenues in Cents per Kilowatt Hour Compared to National Average		
Year	MO Average and Rank among States	U.S. Average
2005	\$0.0708 - #44	\$0.0942
2004	\$0.0706 - #44	\$0.0894
2003	\$0.0696 - #43	\$0.0870
2002	\$0.0706 - #40	\$0.0846
2001	\$0.0700 - #39	\$0.0862
2000	\$0.0704 - #37	\$0.0821

Missouri Average Residential Revenues Compared to Surrounding States	
State	2005 Revenues (cents per kWh) and State Rank
Kentucky	\$0.0641 - #48
Tennessee	\$0.0700 - #45
Missouri	\$0.0708 - #44
Nebraska	\$0.0710 - #43
Arkansas	\$0.0796 - #37
Kansas	\$0.0797 - #36
Oklahoma	\$0.0807 - #34
Illinois	\$0.0834 - #30
Iowa	\$0.0936 - #18

Average Missouri Commercial Electric Revenues in Cents per Kilowatt Hour Compared to National Average and Region			
Year	MO Average and National Rank	U.S. Average	Regional Ranking
2005	\$0.0588 - #48	\$0.0868	9 th of 9
2004	\$0.0586 - #46	\$0.0817	6 th of 9
2003	\$0.0578 - #43	\$0.0798	6 th of 9
2002	\$0.0588 - #39	\$0.0786	5 th of 9
2001	\$0.0589 - #40	\$0.0793	7 th of 9
2000	\$0.0583 - #40	\$0.0736	7 th of 9

Average Missouri Commercial Electric Revenues in Cents per Kilowatt Hour Compared to National Average and Region			
Year	MO Average and National Rank	U.S. Average	Regional Ranking
2005	\$0.0588 - #48	\$0.0868	9 th of 9
2004	\$0.0586 - #46	\$0.0817	6 th of 9
2003	\$0.0578 - #43	\$0.0798	6 th of 9
2002	\$0.0588 - #39	\$0.0786	5 th of 9
2001	\$0.0589 - #40	\$0.0793	7 th of 9
2000	\$0.0583 - #40	\$0.0736	7 th of 9

Average Missouri Industrial Electric Revenues in Cents per Kilowatt Hour Compared to National Average and Region			
Year	MO Average and National Rank	U.S. Average	Regional Ranking
2005	\$0.0459 - #36	\$0.0557	5 th of 9
2004	\$0.0439 - #35	\$0.0511	6 th of 9
2003	\$0.0449 - #33	\$0.0513	4 th of 9
2002	\$0.0442 - #30	\$0.0488	3 rd of 9
2001	\$0.0439 - #30	\$0.0504	4 th of 9
2000	\$0.0443 - #26	\$0.0457	3 rd of 9

Definition of Average Electric Revenues

These measures compare Missouri to the nation and to surrounding states on the basis of residential, commercial and industrial costs for electricity. The US Department of Energy collects data from all regulated and unregulated electricity suppliers and determines average annual revenues for each state and customer class.

Importance

The data gives customers and elected and appointed officials a broader perspective on Missouri's electric utility rates. They can use the data to make decisions about living expenses, business expenses or about the incentives to locate in one area or another based on consumer costs.

Trends

- ❑ Historically, providing electricity has been a declining-cost industry. This is consistent with Missouri average revenue data but less so with U.S. average data, which may reflect volatile market pricing in states with retail electric competition. In addition, each state has a different mix of public, private, regulated and unregulated electricity suppliers; has different relationships between regulators and suppliers; relies on different fuels to generate electricity; and has different political and economic environments. Drawing anything but very general conclusions demands more thorough research.
- ❑ The increasing need for base load generation in Missouri and increased costs for emissions control equipment may, however, reverse the trend of declining costs in the future.

Factors that could affect price stability include:

- ❑ Companies' costs for labor, materials, generation fuel, capital, taxes and regulation
- ❑ Global or national pressures of conflict, economic activity, resource shortages
- ❑ Changing federal policies and laws
- ❑ Changing state laws affecting the Commission's processes, jurisdiction or its discretion to determine the public interest

Comparison

- ❑ From 2000 – 2004, Missouri's average electricity revenues have been lower than the national average and have ranked in the lower third of all state averages.
- ❑ Within our nine-state region, average residential revenues in Kentucky, Nebraska and Tennessee consistently are lower than revenues in other states, while Iowa residential averages are the highest. Nebraska is a "public power" state with little or no state regulation. Tennessee generates much of its electricity through the federal Tennessee Valley Administration's hydroelectric facilities. Kentucky may enjoy lower rates because of its dependence on TVA power and coal-fired generation (a significant state mineral resource).
- ❑ Within our nine-state region, Missouri's commercial revenues are in a "mid-low" range compared to other states. Missouri's industrial electricity revenues also are consistently lower than the national average, and they continue to cluster in the mid-range of all states. Within our region, Missouri's industrial electricity revenues have ranged from being the sixth to third highest during the last five years.

Strategies

- ❑ The Missouri Public Service Commission will continue to regulate electric utility rates through a forum that assures due process and participation for all affected parties, as state law requires.
- ❑ Residential customers' interests must continue to be effectively represented by the Office of the Public Counsel to assure continuing price stability.
- ❑ The cost of "inputs" used by electricity suppliers must be stable. The Commission must have access to accurate and timely testimony and adequate discretion to determine the best balance between customer and company investor needs.

Efficiencies

The Commission has increased its efficiency and effectiveness and reduced the cost of regulation by reducing the number of Full-Time Equivalent Staff along with the associated personal service dollars appropriation. The Commission has also reduced its expense and equipment budget. The ability of citizens to access PSC information in a timely manner continues to be addressed by the placement of utility and customer-pertinent information on the Commission's web-site, as well as by the issuance of numerous Commission press releases. Publications, including the PSC

Annual Report and educational material, which addresses such topics as gas safety, the cold weather rule and others, are developed and made available to the state's citizens.

The Electronic Filing and Information System (EFIS) is a technological development that has significantly improved the filing processes and records management efforts of the Commission, including making information more readily available to utilities and other stakeholders.

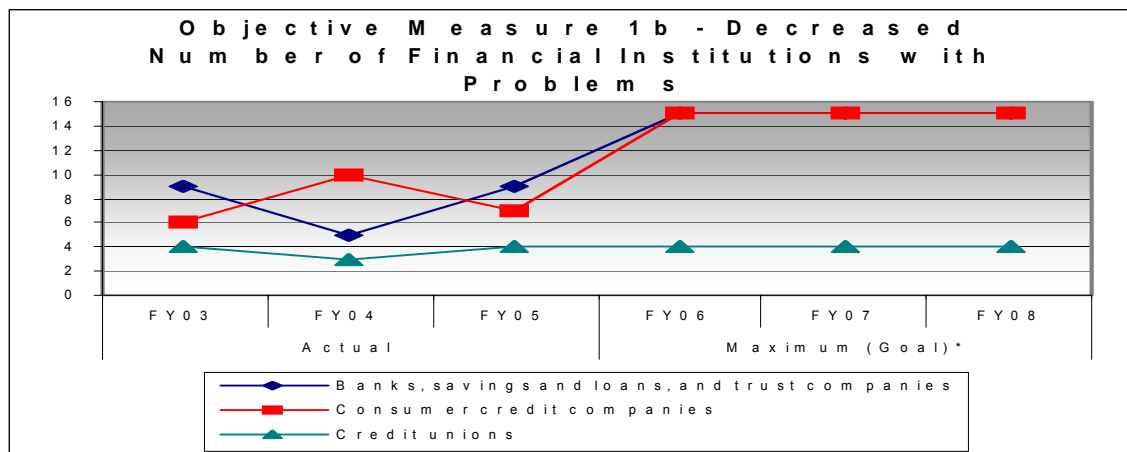
References

- ❑ Energy Information Administration, U.S. Department of Energy <http://www.eia.doe.gov/>
- ❑ "Commission Information Guide," Missouri PSC
<http://www.psc.state.mo.us/publications/Inforgu.pdf>
- ❑ Missouri Economic Research Information Center, "Cost of Living – First Quarter 2004"

Safe and Sound Financial Institutions

A decreased number of problem financial institutions would promote economic security through various channels. A strong financial system provides the funds that businesses need to maintain their operations and to invest in plants and equipment that would allow them to grow, as well as providing payment services. Individuals depend on financial institutions for savings and checking and for a number of types of loans, including residential, automobile, and personal. The availability of competing strong financial institutions helps insure the availability of the financial services that businesses and households need, at the lowest possible prices.

Editor's Note: Executive Order 4, signed February 1, 2006, will transfer the Divisions of Finance and Credit Unions to the Missouri Department of Insurance, Financial Institutions and Professional Registration, effective August 28, 2006.



*The goal is to have no more than a set number of problem financial institutions. Maximum (goal) for problems is based on historical data, including consideration of slower economic conditions.

Definition of Financial Institutions with Problems

Financial institutions with problems are those banks, savings and loans, and trust companies that have been rated as 3, 4 or 5 on a CAMELS scale. For credit unions, it is those that have been rated as 4 or 5 on a CAMEL scale. The CAMELS and CAMEL scales are industry standards and used nationally. Ratings are assigned by the Divisions of Credit Unions and Finance based on on-site examinations.

Importance

The number of financial institutions with problems provides a quick look at the overall health of the financial industry within the state of Missouri. Bank failures are rare when the number of problem institutions is low, as in recent years. Conversely, bank failures experienced in the late 1980s and early 1990s were accompanied by an overall lower quality of institutions and, therefore, a much higher number of institutions with problems. A sustained upward trend in the number of such institutions is a leading indicator of bank and other financial institution failures.

Trends

- ❑ The number of problem banks, savings and loan associations, and trust companies rose slightly in FY2005. This increase can be attributed in part to rising interest rates which have squeezed bank earnings nationally. The number of problem consumer credit companies has fallen during the year, partially due to the minimal change in regulations this year. After a regulation change, there is a transition period during which these companies make changes to be in compliance with new regulations. The number of problem consumer credit companies was 4 at the end of the first quarter of FY2006.
- ❑ The average number of months banks have remained in problem status has been reduced dramatically from 35 to 10 since the end of FY1996.
- ❑ Only one institution removed from problem status since the end of FY1994 has subsequently deteriorated to problem status. Within six months, this institution had improved and was removed from the problem list.
- ❑ If the Missouri Supreme Court reverses the pending appeals on cases where credit unions have been allowed to expand their field of membership to multiple counties, credit unions may change to federal charters because a federally chartered credit union may be given a broader field of membership.
- ❑ Total delinquency of credit unions is at a seven year low.

Comparison

- ❑ Missouri is 8th in the nation in the number of state-chartered credit unions (currently, 15778) and 5th nationally in the number of state-chartered banks (currently, 297).
- ❑ Although comparative data (by states) is not readily available, the number of banks with problems is low by historical standards. Since 1934, there have been over 3,500 failures of institutions whose deposits were insured by the U.S. Government. The majority of these failures occurred from 1985 through 1992 when nearly 2,500 banks failed (at least 180 failures in each of those eight years). Since 1995, the number of failures nationally has been fewer than 12 each year. There have been no failures in Missouri since 1994. The last Missouri state-chartered bank failure was in 1992.
- ❑ 98.8% of Missouri state-chartered credit union assets are in Code 1, 2 or 3 rated credit unions.

Strategies

- ❑ Using proactive examination techniques for early identification of potential problems and close coordination with the financial institution to resolve concerns has been found to be the most effective strategy in reducing the number of financial institutions with problems.
- ❑ Aggressive corrective actions for consumer credit companies with problems have and will continue reduce the number of problems. Consumer credit companies rated 4 or 5 are generally placed under "cease & desist orders" (mandating precise corrective action) and are usually returned to satisfactory status within 90 days of problem identification.
- ❑ Early identification of problems in financial institutions through risk-based examinations and aggressive follow-up to assist the institution to return to a safe and sound status.
- ❑ Maintaining an experienced and trained examination staff is critical to effectively identify risky banking practices and provide prompt resolution of problems.

Efficiencies

- ❑ The Division of Finance has a complaint form available online for citizens to register complaints against any of its regulated entities. To authorize investigation of the complaint,

citizens are required to file a written complaint (by 'right to financial privacy' laws), but they may obtain the form online.

- ❑ Any Division of Finance employee may be contacted online through the website.
- ❑ The Division of Finance employs flexible working hours to reduce the number of days spent onsite at regulated entities, thereby reducing regulatory burden and travel expense.
- ❑ The Division of Credit Union's website has been modernized, now including many forms needed for credit unions, call report downloads and bulletin and newsletter archives.

References

No additional references cited.

Innovation and Entrepreneurship

An increase in the number of innovation centers and incubator facilities would continue to promote economic security by providing numerous start-up businesses with the support necessary to ensure economic success. A strong supportive business base provides the capital and resources necessary to support innovative research and expand on current technology.

Missouri institutions conduct around \$1 billion in research annually, and with this state of the art research comes many opportunities to turn innovation into thriving companies able to compete in an ever-changing market. In order to foster public and private collaborations to attract research funding to Missouri and speed the translation of technologies into commercial opportunities and jobs, the Department of Economic Development is updating programs to better suit the needs of companies.

Innovation Centers are state-sponsored programs that work with entrepreneurs with technology-based products or processes. Innovation Centers provide a range of management and technical assistance during the early stages of development for new technology-based business ventures. Services include market research and strategies; technology assessment; business planning; financial packaging; research and development; business management; patent and licensing consulting; preliminary patent searches; and prototype development. Some centers also provide physical space with necessary support in their business incubators.

Missouri has five innovation centers located in Columbia (Missouri Innovation Center), Rolla (Missouri Enterprise Center), St. Louis (Center for Emerging Technology), Cape Girardeau (Missouri Research Corporation) and Joplin (Joseph Newman Business and Technology Innovation Center). The centers are familiar with up-to-date business management and technology innovations and help businesses apply these innovations to increase profits.

Another resource the Department of Economic Development offers is through the business incubator program. An incubator is a building that can be divided into smaller units of space and is leased by a new small business for a limited period of time. Incubators provide business development services for use by the tenants that commonly include: computers, copiers, facsimiles, conference rooms, clerical support, telephone answering service, and networking opportunities.

Currently, Missouri has three active incubators. The first incubator is the Center for Emerging Technology (CET), which services primarily bioscience and medical-related start-up companies. CET operates a two building complex totaling 92,000 square feet and contains wet and dry labs and DNA labs, among other biotechnology-related necessities. The second incubator is the Nidus Center for Scientific Enterprise. It is a nonprofit, 40,000-square-foot plant and life science incubator consisting of a mix of wet-lab, dry-lab, and office suite space. The Nidus Center serves entrepreneurial clients who are refining and preparing new technology for market. The third incubator facility is the Center of Research, Technology, and Entrepreneurial Exchange

(CORTEX). CORTEX will enable collaboration between all the area research institutions. CORTEX is intended to house companies graduating from the incubator and companies attracted to the region because of the proximity to the research institutions. To date, CORTEX has purchased several properties to expand their operations, and is in the process of moving to a post incubator stage, known as an accelerator facility.

Importance

The number of state sponsored incubator facilities and innovation centers provides a quick look at the overall growth of the technology industry within the state of Missouri. This information can aid in decision about investment, incentives, business growth and expansion and provides motivation for innovators to locate in one are or another based on resources available.

Trends

- ❑ Currently states are strongly competing to become the leader in innovation and technology development.
- ❑ The increasing need for technology commercialization in Missouri and the increased resources position the state to utilize assets and further economic growth.

Comparison

- ❑ The best technology commercialization systems churn out about 4.9 companies for \$100 million in research, and average systems churn about 1.1 per \$100 million of research. Missouri creates about .7 companies per \$100 million in research.

Strategies

- ❑ Increase promotion and investment in state sponsored innovation centers.
- ❑ Increase promotion and investment in state sponsored incubator facilities.

Efficiencies

In order to further services to our research institutions, the Governor's office, Department of Economic Development, and the legislature is working to allocate more funds for the development new incubator facilities. One facility, the Jordan Valley Innovation Center, in Springfield, is currently under development to support advanced materials and biotechnology industries in Missouri. Next, the University of Missouri-Columbia is working to open the Mid-Missouri Business Incubator. The 52,000-sq.-ft. facility will provide labs and office space for 10 to 14 companies utilizing research from the campus. Finally, additional space will be available in St. Louis, Kansas City, Columbia, Cape Girardeau, Springfield, and Kirksville, more than doubling incubator resources currently available to Missouri businesses.

References

No additional references cited.

III. Opportunity for Missourians

Selected Grade-A Occupations in Missouri 2002-2012

SOC	Occupation	% Growth	10 Year Openings	Average Wage
15-1081	Network Systems & Data Communications Analysts	45.94%	2,377	\$59,300
15-1032	Computer Software Engineers, Systems Software	35.93%	1,505	\$66,890
15-1031	Computer Software Engineers, Applications	31.67%	2,731	\$68,320
15-1071	Network & Computer Systems Administrators	30.17%	2,199	\$52,660
11-3021	Computer & Information Systems Managers	29.13%	2,808	\$76,770
29-1051	Pharmacists	27.83%	2,287	\$73,100
11-9111	Medical & Health Services Managers	25.48%	2,437	\$65,330
13-1072	Compensation, Benefits, & Job Analysis Specialists	24.77%	926	\$43,060
15-1051	Computer Systems Analysts	24.01%	3,619	\$58,720
11-2022	Sales Managers	23.63%	3,329	\$78,930
29-1111	Registered Nurses	22.65%	21,823	\$44,830
15-1041	Computer Support Specialists	22.12%	3,438	\$40,430
13-2072	Loan Officers	20.29%	2,345	\$49,230
47-2111	Electricians	18.7%	4,571	\$48,980
13-1199	Business Operations Specialists, All Other	17.8%	5,192	\$50,420
25-2031	Secondary School Teachers	17.44%	11,218	\$35,770
13-2051	Financial Analysts	16.07%	848	\$61,390
11-3031	Financial Managers	15.37%	3,589	\$70,670
47-2211	Sheet Metal Workers	15.28%	1,937	\$42,560
11-9021	Construction Managers	15.15%	2,447	\$62,520
41-4011	Sales Reps., Technical & Scientific Products	14.59%	3,296	\$58,710
49-1011	First-Line Supervisors of Mechanics & Repairers	13.48%	3,922	\$47,000
47-2031	Carpenters	11.9%	8,258	\$41,070
51-1011	First-Line Supervisors of Production Workers	9.94%	4,877	\$41,710

Better job opportunities will encourage Missourians, particularly younger, well-educated Missourians, to stay in the state rather than relocating to states where they perceive better opportunities. The higher incomes that result from better jobs will also indirectly promote opportunities for other Missourians as the income works its way through the economy.

In addition to expanding the private economy and supporting the creation of additional jobs, higher incomes lead to higher tax revenues. These in turn can be used to provide better schools, better community and social services, better transportation, and a whole range of public services that will increase opportunities for all Missourians.

Grade-A occupations are defined as those occupations with a combination of growth, openings, and average annual salaries (calculated from OES and long-term projections) significantly above the statewide average for the 2002-2012 projections horizon.

There were a total of 79 occupations in Missouri that met the Grade-A criteria. These occupations accounted for more than 633,000 of Missouri workers in 2002, which constituted 22% of all statewide employment.

Individuals that choose to pursue paths in Grade-A careers will find higher than average annual wage of a Grade-A career was \$52,083 in 2002, much higher than the statewide average of \$33,327.

The ability to find a Grade-A career over the next decade will be relatively easy since there will be over 240,000 openings in Grade-A careers between 2002 and 2012, 23% of all openings statewide. These promising careers stand to grow by more than 18% over the next ten years, a much higher percent change than the statewide average of 11%.

Strategy

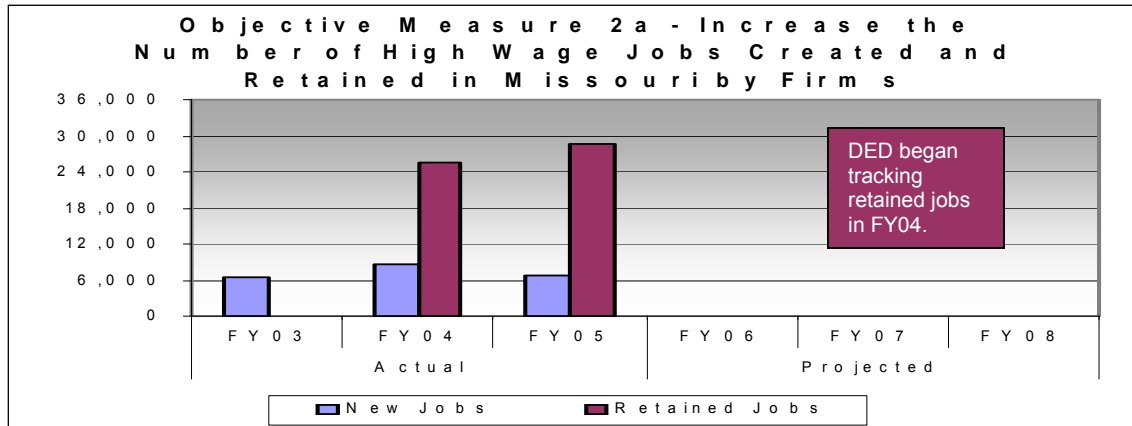
Apply industry and occupational research from MERIC to optimize DED services that create new jobs, match job seekers to current openings, and prepare workforce to meet future demand for labor.

Key Tactics

- Assist individuals in developing the skills needed to get and retain jobs.

- ❑ Assist individuals in identifying job openings that match their skills and meet their wage requirements through an improved job-matching system and increased market share of businesses listing job openings with the workforce system.
- ❑ Attract and retain businesses with high-wage jobs and high-skill workers.

Family-Supporting Jobs



**Projections are not made for measures including performance on tax credits*

Definition of High Wage Jobs Created and Retained in Missouri by Firms

High wage jobs are defined as new jobs created with wages above the county average and full benefits. The Division of Workforce Development reports the number of high wage jobs submitted on Customized Training applications and reports the jobs during the quarter that funds are awarded. The number of high wage jobs reported by Business and Community Services is compiled from information released by companies through press releases and announcements.

Importance

Increasing the number of high wage jobs increases the opportunities for family-supporting employment for Missourians.

Trends

Trend analysis will be completed when sufficient historical data has been collected. Decreased resources resulted in lower performance in FY2003.

- ❑ Marketing funds have been reduced, affecting recruitment opportunities.
- ❑ Incentives for competitive projects have been reduced, affecting the department's ability to compete with other states for larger projects.

Comparison

There is no national data available to compare Missouri with other states for projects that were assisted/facilitated by direct state efforts.

Strategies

- ❑ Directing DED marketing efforts to attract targeted industries and "traded cluster" firms, which do not include retail or low-tech service firms ("local cluster" firms).
- ❑ Use discretionary incentives for quality projects of "traded cluster" companies.
- ❑ Using training assistance programs, such as Customized Training and Community College New Jobs Training, with the purpose of attracting and maintaining employment. These programs reduce the cost of training to the employer while increasing productivity.
- ❑ DED would review and support a job training tax credit plan that addresses the training needs of Missouri employers and is consistent with department initiatives.

- ❑ Developing strategies for business recruitment and expansion marketing for each region with our partners.
- ❑ The DREAM initiative, or Downtown Revitalization Economic Assistance for Missouri, partners DED, the Missouri Development Finance Board (MDFB) and the Missouri Housing Development Commission (MHDC) has been introduced to provide technical and financial assistance to select communities to accelerate downtown redevelopment by 1) centralizing several major state incentives; 2) offering direct access to financial technical assistance at the preliminary proposal stage; 3) the support of a team of professionals specifically dedicated to helping to rebuild the central business district; and 4) substantially shortening the redevelopment timeline.
- ❑ The goal of the Workforce Innovation in Regional Economic Development (WIRED) initiative is to transform regional economies by creating partnerships among stakeholders to research and produce long-term strategic plans that prepare workers for high-skill, high-wage opportunities in the coming years and into the next decade. Seven Kansas and Missouri Local Workforce Investment Boards (LWIB) have agreed to create the 18-county 'OneKC Regional Workforce Council', to develop strategies to coordinate workforce services beyond political jurisdictions, and create the type of services to business that improve employee selection and advancement procedures, reduce turnover and overtime, and increase productivity.
- ❑ The purpose of the Skilled Workforce Initiative Micro Enterprise Training and Support program is to assist entrepreneurs from low-income or dislocated worker groups to have the resources to start a small business. This program is funded by the Workforce Investment Act (WIA) and is administered by DWD and the Local Workforce Investment Boards (LWIBs) and will provide entrepreneurial training, technical support and access to resources in order to start a new business.
- ❑ Assisting workers by utilizing the Skilled Workforce Initiative Incumbent Worker Program so that they may succeed and advance in the workplace. It will assist businesses with skills upgrade training for current, full-time workers. Priority will be given to innovative and collaborative training projects that increase employee opportunities, and enhance company growth and productivity.
- ❑ Through the Skilled Workforce Initiative Business Retention/Early Warning Network program, Missouri is able to provide funding grants to Local Workforce Investment Boards for the purpose of funding a Business Retention Coordinator (BRC), who will be responsible for assembling and leading a local team of business retention experts. Through the monitoring of formal and informal indicators of business distress, the BRC and the team is responsible for identifying at-risk industries within a community and leveraging resources and assistance designed to avert layoffs and closings when possible.

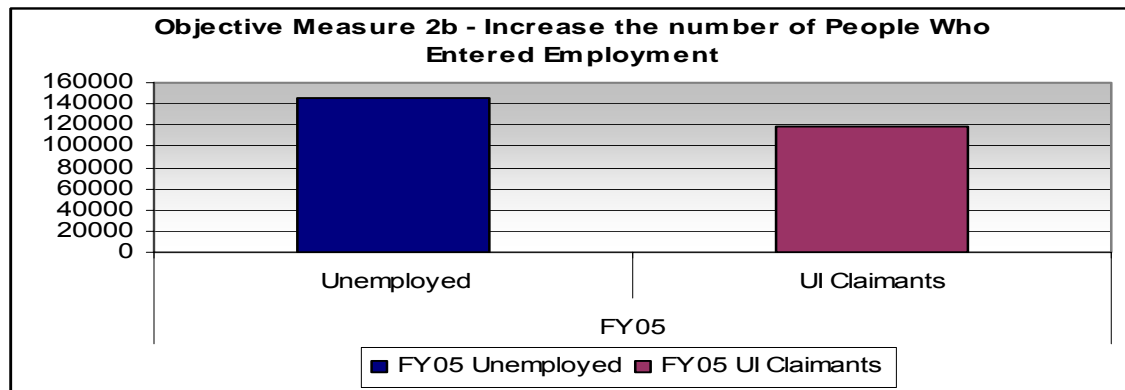
Efficiencies

- ❑ DWD is designing, developing, and implementing Phase II Business Outreach and Service Plan training. Together with MTEC, DWD has committed to highlight business outreach and service partnerships as a priority, and to obtain a commitment from LWIBs to manage service providers to require activities and staff performance outcomes that lead to successful business service partnerships.

References

Showcasing Workforce Excellence, Department of Economic Development, Division of Workforce Development, Annual Report 2005, <http://ded.mo.gov/WFD.aspx>

Skilled Workforce at Work in Missouri



While the objective measure, **Increase the Number of People Who Entered Employment**, remains constant, the data is based upon Federal Common Measures enacted in Fiscal Year 2005. Thus, no historical data is available and Fiscal Year 2005 data will become the benchmark.

Definition of Number of People Who Entered Employment

This is a measure of people that entered employment in the calendar quarter after receiving workforce services. It is measured by comparing the Social Security numbers of people receiving services to Unemployment Insurance wage records. It is lagged three quarters to allow for processing of the Unemployment Insurance data.

Obtaining employment is a primary objective for workforce clients, but retaining that employment is a crucial step toward obtaining self-sufficiency. Therefore, the measure of retention of clients at six months is crucial.

Importance

Workforce development is one of the cornerstones of economic development. The economic impact of the workforce system is felt in many tangible ways, primarily in terms of earnings of workforce clients and savings from diversion from public assistance. A strong workforce fuels a strong economy for Missouri.

Trends

Fiscal Year 2005 represents base line data.

Comparison

With the implementation of Common Measures as a national standard, comparative data will be available in the future.

Strategies

- ❑ Employers must be an integral part of any strategy to help individuals become employed. Therefore, the emphasis on an employer-focused strategy is imperative. The intent of this strategy will be to increase the number of businesses using Missouri's workforce system services.
- ❑ Using training assistance programs, such as Customized Training and Community College New Jobs Training, with the purpose of attracting and maintaining employment. These programs reduce the cost of training to the employer while increasing productivity.

- ❑ Additional emphasis will be given to increasing the quality of services provided to Missouri businesses, improving consistency and quality of Missouri Career Centers, and increasing market share, particularly among high-tech, high skilled employees.
- ❑ Assisting workers by utilizing the Skilled Workforce Initiative Incumbent Worker Program so that they may succeed and advance in the workplace. It will assist businesses with skills upgrade training for current, full-time workers. Priority will be given to innovative and collaborative training projects that increase employee opportunities, and enhance company growth and productivity.
- ❑ Missouri has been chosen as one of nine states to participate in the Career Advancement Account (CAA) demonstration project focused on the automotive manufacturing industry. Under the demonstration, each state will be granted up to \$1.5 million for the first year, coupled with the same in leveraged resources, to provide self-managed accounts that will enable current and future workers to gain the skills needed to successfully enter, navigate, and advance in 21st century jobs. Accounts will be available to workers entering the workforce or transitioning between jobs and careers, or incumbent workers in need of new skills to remain employed. Individuals must use their accounts to pay for expenses directly related to education and training.
- ❑ Utilizing the Missouri JobCrawler site, a powerful online employment search tool being integrated into GreatHires.org. A joint collaboration between the DWD and the Missouri Economic Research and Information Center (MERIC), it provides fast access to job search tools and immediate access to detailed information on thousands of jobs from a variety of online job banks, corporate web sites, regional hospitals, local newspapers, and government sites. Key features include the *Career Services* component that allows users to analyze their own skills and attributes together with the local labor market to make an informed career choice; the *Job Seeker Services* component that allows job seekers to research a specific employer's contact information; the *Labor Market Services* component that provides targeted information users may review and analyze their labor market region; and the *Education Services* component that lists training providers and schools which are grouped by occupational areas and include contact and course information along with educational certificate and degree facts.
- ❑ To improve training consistency and uniformity across the state, DWD is launching the Alchemy Training Systems which will meet a broad range of professional development and training for workforce system staff and customers. Through this system Career Centers can provides Web-based learning, standardized competency-based curriculum, classroom facilitated computer assisted modules, learning assessments, data integration into existing case management systems, English and Spanish modules, and more.
- ❑ DWD will use the chartering strategy to implement high standards of quality for Missouri's Workforce System, working with the State's workforce board—the Missouri Training and Employment Council (MTEC) to establish a One-Stop Chartering or 'franchise' system to develop minimum criteria for full-service Career Centers and affiliates. Chartering is a quality management tool which many states and local boards around the nation use as part of their oversight responsibilities, as well as to protect the use of the brand name and logo from being used on poor centers. One-stop center partners will develop Chartering business plans collaboratively, while private sector board members lend their expertise in business planning.
- ❑ The Skilled Workforce Initiative Regional Skills Gap project was jointly developed and implemented by DWD and the Department of Elementary and Secondary Education to improve workforce skill development in the state. The project funded regional supply/demand gap analyses, to identify the current and future needs of business and industry, and to identify targeted occupations for each workforce region. The first phase of this initiative developed a local consortium that conducted a regional supply/demand gap analysis, identified the current and future needs of business and industry, and identified the targeted occupations for each workforce region. In the Implementation Phase, LWIBs designed projects that would implement the local strategies developed in the Planning Phase to fill the skills gaps identified in their regions. In phase three, local areas identified partners for implementation of the project, businesses in the region that have agreed to hire those

participants, discussed how the project meets the businesses' and customers' needs, connects it to the targeted population and achieves performance targets.

- ❑ The Skilled Workforce Initiative Community Solutions program helps Temporary Assistance recipients prepare to enter, succeed, and advance in the workplace. It provides resources to expand and enhance existing service delivery efforts to more fully the needs of this population prior to entry into work and during employment. The key outcomes of this initiative are improved job placement and retention of Temporary Assistance participants, as well as, an increase in Missouri's Temporary Assistance work participation rate. [The required work participation rate increased under the federal reauthorization of TANF.]
- ❑ The Skilled Workforce Initiative One Stop Enhancements program facilitates the strengthening of Missouri's One Stop Career Centers to advance to a demand-driven system of integrated employment and training service offerings to give Missouri a more competitive workforce. This program includes job seeker services, business services, unified management and planning, infrastructure and marketing. These areas were identified as potential One-Stop improvement categories from DWD's Continuous Improvement Reviews and the Guide to Improving One-Stops through Benchmarked Critical Success Factors, developed by the Corporation for a Skilled Workforce (CSW).
- ❑ The Skilled Workforce Initiative Youth Skills Shortage program is designed to address barriers preventing Missouri's neediest youth from being adequately prepared for the world of work. Out-of-school youth are an important part of the new workforce "supply pipeline" needed by businesses to fill job vacancies in the knowledge economy. WIA-funded youth programs will provide leadership by serving as a catalyst to connect these youth with quality secondary and post secondary educational opportunities in high-growth industries.
- ❑ Jobs For Missouri's Graduates is a program that provides school-to-work program services to at-risk and disadvantaged high school youth. This program is based on a national model to test three applications: School-to-Career, Dropout Prevention, and Dropout Recovery. Approximately \$1.5 million in grants are being handed out to schools where students will be taught skills in 34 core competencies to prepare them for the workplace. Missouri has implemented twenty-three sites and has served approximately 460 high school students.
- ❑ The purpose of the Disability Program Navigator Initiative is to increase the employment rate of individuals with disabilities by enhancing the service delivery in Missouri's Career Centers. 'Navigators' will be placed in Career Centers throughout the state to provide improved access to workforce development services for job seekers with disabilities. The Navigator will assure that workforce staff have the training, knowledge and skills necessary to effectively serve all individuals with disabilities. He or she will also provide outreach to the disability and business communities, building business partnerships and demonstrating the economic benefits of hiring individuals with disabilities.
- ❑ By participating in the Sharing How Access to Resources Empowers (SHARE) Network, DWD will accomplish three main objectives to assist Faith-based and Community Organizations (FBCOs) in acting as "Access Points" to Career Center services: 1) encourage Career Centers to increase the number of services available by creating a Web-based Resource Directory of FBCO social service providers across the State; 2) create additional Access Points to target high-poverty, Limited English Proficiency, and other high-need populations to increase the access of job seekers to the workforce system; and 3) examine how Web-based Resource Directories and Access Points can help Career Center systems across multiple states.
- ❑ A recent SWOT analysis of the workforce system identified opportunities for improvement. As a result, a plan of action was designed and will be implemented and tracked in calendar year 2006.

Efficiencies

- ❑ A task force was created to find ways to improve Career Center services to UI (unemployment insurance) claimants. The Task Force is moving forward by scheduling additional meetings with DWD and Employment Security staff to continue the discussion of their recommendations and a possible implementation plan.

- ❑ DWD is working with community colleges and partner agencies to provide conversational Spanish training for staff and businesses as an efficient way to provide basic Spanish communication skills necessary for a growing Hispanic workforce.
- ❑ DWD employees and partner staff statewide can now receive computer and soft-skills training through Mindleaders' computer-based training modules. Such training complements the division's performance planning process and offers significant savings for employee development.
- ❑ DWD has identified new priorities, strategies, and action plans which include developing a communications policy, deploying creative use of technology, reengineering provision of DWD training and technical assistance, improving coordination and integration of activity within central office, and raising the quality of one-stop Career Centers.
- ❑ *The Regional Skills Gap Initiative* project supports one of the recommendations from Missouri's *State of the Workforce Report*, which encourages state agencies to work with local boards to conduct regional supply/demand gap analysis, to identify the current and future needs of business and industry, and to identify targeted occupations for each workforce region.
- ❑ *Work Keys* is a job skills assessment system measuring "real world" skills that employers believe are critical to job success. These skills are valuable for any occupation—skilled or professional—and at any level of education. DWD is now focused on enhancing the system and developing a scalable work readiness certificate that will allow employers to compare recipients' scores with the skill levels required.
- ❑ The Southeast Region Workforce Investment Area and Southeast Missouri State University are launching an initiative designed to help students prepare for entering the job market from the day they begin their college classes. Beginning with the fall semester of 2005, all new Southeast students participate in a "Transitions Initiative," which will take students from orientation to career planning to hands-on learning opportunities to job placement or graduate school. This new effort will provide a coordinated, integrated delivery of services and support designed to help students make successful transitions into college, majors and career paths, and into the world of professional and community life.

References

- ❑ *ETA 9002 Quarterly Report*
- ❑ *Missouri Workforce System Summary Analysis, October 2005*: Corporation for a Skilled Workforce

Small Business Regulation

The Small Business Regulatory Fairness Board (SBRFB) was established by the Missouri General Assembly in 2004 and given additional powers and responsibilities in 2005 to ensure that small business owners have a voice in the development of rules and regulations by state agencies.

The board, which plans to host a series of hearings across the state, is required to submit an annual report to Gov. Matt Blunt and the Legislature that evaluates state agency performance and makes recommendations regarding regulatory fairness for Missouri's small businesses. The report will include comments from small business owners, state agency responses and a summary of public testimony brought before the board for consideration.

Based on the recommendations of the Small Business Regulatory Fairness Board, the Governor signed into law a regulatory fairness bill. Small business is a vital part of Missouri's economy and this law will continue to protect businesses by promoting the flow of information to businesses.

Importance

Small business is a vital part of Missouri's economy, and through the Small Business Regulatory Fairness Act, small businesses will continue to be protected by promoting the flow of information to businesses and allowing businesses to share in the development of state policy.

Trends

□ Trend analysis will be completed when sufficient historical data has been collected.

Comparison

There is no national data available to compare Missouri with other states.

Strategies

- Submitting Comments

Small business owners may file written petitions with state agencies regarding adopted rules and regulations objecting to all or part of any rule affecting small businesses. The grounds for filing such petition vary depending on when the rule was adopted.

- Judicial Review

The implementing legislation also provides that a small business that is adversely affected or aggrieved by final agency action on any rule or regulation is entitled to judicial review of the agency's compliance with Sections 536.300 to 536.328 RSMo. The affected small business may seek such judicial review during the period beginning on the date the proposed rule becomes final and ending one year later.

Efficiencies

The Missouri Small Business Regulatory Fairness Board ensures that Missouri small business owners (those with 100 or fewer full-time or part-time employees) have a voice in the development of rules and regulations by Missouri state departments and agencies. Missouri's state departments and agencies are required to solicit input from small business owners prior to implementing new rules and regulations. Agencies must determine if the proposed rule affects small business and, if so, the availability and practicability of less restrictive alternatives that can be implemented to achieve the same results.

SBRFB provides state agencies with input regarding rules that adversely affect small businesses and solicits comments from small businesses. The board also holds public hearings around the state with state agencies and small business owners.

These events provide a public venue for state agencies to discuss their approach to regulatory fairness for small businesses and for members of the public to provide oral or written comments on state agency performance.

The board will publish an annual report for the Governor and General Assembly that evaluates state agency performance and makes recommendations regarding regulatory fairness for Missouri's small businesses. The report will also include comments from small business owners, state agency responses and a summary of any public testimony brought before the board for consideration.

References

No additional references cited.

IV. Growth in Missouri

Average Number of Private Missouri Firms 1990-2005

Year	Average Number of Firms	Change in Firms from Previous Year	Total Statewide Payroll (In Billions)	Change in Payroll From Previous Year (In Billions)	Average Annual Wage	% Change from Previous Year in Annual Wage
2005	160,401	2,008	\$81.36	\$3.82	\$36,199	3.4%
2004	158,393	1,966	77.54	2.84	\$35,024	3.2%
2003	156,427	439	74.70	1.02	\$33,944	2.0%
2002	155,988	2,373	73.68	0.52	\$33,264	1.9%
2001	153,615	604	73.16	1.42	\$32,630	3.3%
2000	153,011	2,224	71.74	4.06	\$31,598	5.0%
1999	150,787	771	67.68	3.45	\$30,090	3.8%
1998	150,016	3,826	64.23	3.84	\$28,997	4.4%
1997	146,190	2,301	60.39	4.14	\$27,779	4.7%
1996	143,889	2,864	56.25	2.96	\$26,537	3.7%
1995	141,025	3,258	53.29	3.53	\$25,602	4.6%
1994	137,767	3,026	49.76	3.14	\$24,477	3.2%
1993	134,741	2,107	46.62	1.74	\$23,711	1.3%
1992	132,634	538	44.88	2.55	\$23,414	4.7%
1991	132,096	3,212	42.33	0.70	\$22,359	4.0%
1990	128,884		41.63		\$21,508	

Source: MERIC Quarterly Census of Employment and Wages Program,
Data is preliminary and subject to revision. Wage data not adjusted for inflation.

The Missouri Economic Research & Information Center (MERIC) recently completed its annual count of Missouri businesses for 2004. For the year Missouri reported an average of 158,393 private sector businesses, an increase of 1,822 from 2003, more than two times the number from the previous year.

Payroll and average annual wage growth also posted strong gains compared to 2003. Average annual wages increased by 3.2% in 2004, maintaining the recent trend of improving annual wage growth. As the economy continues to strengthen, Missourians can expect businesses and wages to continue current growth patterns.

Strategies

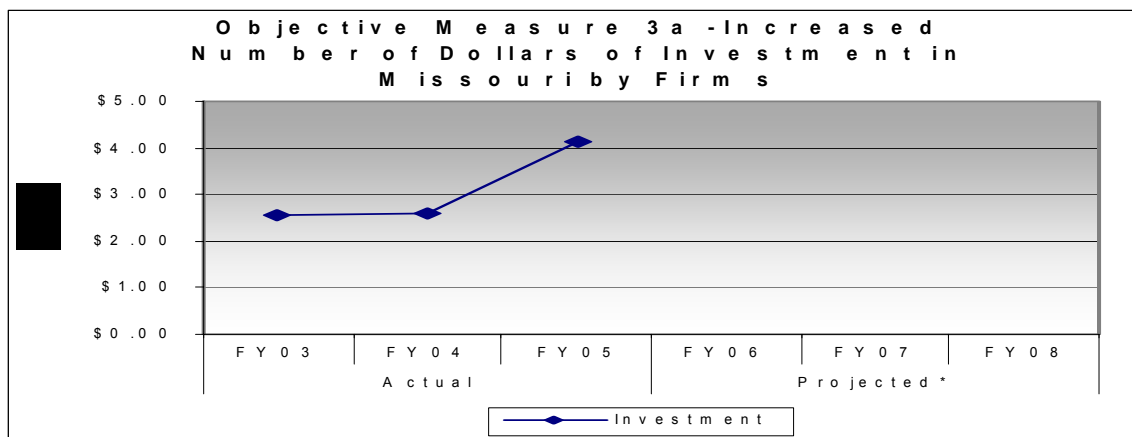
- ❑ Deploy programs and services that reduce business operating costs and create new market opportunities.

- ❑ DED and the Department of Revenue are working together to develop a strategy to reduce or eliminate the corporate franchise tax and the tax burden on small businesses.
- ❑ The department is making an effort to promote the agricultural interests of the state. Business and Community Services staff meets regularly with the Department of Agriculture sales and marketing groups to gain a better understanding of the initiatives in Missouri. DED staff have been working closely with the Department of Agriculture to develop international marketing plans, and assisted with an export trade mission to Taiwan. Program managers and industry specialists are also working closely with the Department of Agriculture and investors to get ethanol programs up and running.
- ❑ DED is also hosting monthly meetings with the Department of Transportation and Department of Natural Resources for multi-agency sharing of information and the coordination of tools and programs to market Missouri.

Key Tactics

- ❑ Provide enhanced assistance to employers with their hiring and training needs through decreasing the cycle time to fill job orders and developing a single point of contact for employers
- ❑ Help Missouri businesses and companies reduce costs, locate markets and increase sales by developing domestic and international markets
- ❑ Promote Missouri as a travel destination through tourism marketing

Investment in Missouri



**Projections are not made for measures including performance on tax credits*

Definition of Investment

Investment is the amount of new private capital investment (new or expanded buildings, machinery and equipment) by "traded" companies (companies that sell outside the region, which doesn't include retail, personal services, non-profits, public entities or institutions) assisted by the department. In the case of venture capital programs, it is the amount of investment provided to a company, which could include capital investment and operating capital. In the case of technical services programs, i.e., Missouri Enterprise and Innovation Centers, it is the amount of investment related to lean manufacturing processes or new commercial innovations.

Importance

The investment a firm makes in itself and Missouri demonstrates the business' commitment to the state. Capital investment is an indicator of the business's potential for longer-term stability at the

project facility and is a component in the determination of state fiscal impact. It is important to the public because expansions and locations of businesses through capital investment impact the tax base and wealth of Missouri communities and citizens living in those communities.

Trends

- ❑ The ability of a state to develop and attract businesses in knowledge-based industries is dependent upon the ability of colleges and universities to produce a steady stream of educated workers, as stated by “Inside E.D.”, Expansion Management magazine. If a state or community has “well-educated individuals, then companies will seek them out”.
- ❑ According to the PricewaterhouseCoopers/Venture Economics/National Venture Capital Association Money Tree™, venture capital investing reversed a three-year downward trend in 2004 by investing \$20.94 billion in 2,876 deals with the Life Science and Software industries receiving the most investments.
- ❑ According to the Progressive Policy Institute, the U.S. was the largest recipient of Foreign Direct Investment totaling \$95 billion in 2004. The total FDI flow in 2004 was \$738 billion. The U.S. Department of Commerce reported that the value of foreign investments in the U.S. “exceeded the value of U.S. investments abroad.” Missouri, with its diversified economic base, central location, access to NAFTA and the Latin American market, will find interest from many industry areas. Further, the U.S. remains competitive in advanced manufacturing, technology innovation and the life sciences, providing Missouri new opportunities for growth in these key industry sectors.
- ❑ In addition to foreign investment, companies seek strategic alliances to grow globally, including technology exchanges, joint ventures, acquisitions and mergers. Economic factors affect Foreign Direct Investment, including strength or weakness of the U.S. dollar in foreign markets and the state of the overall economy of the U.S. and other countries.

Strategies

- ❑ The divisions of Business Development & Trade and Community Development have been combined into the new Business and Community Services. More emphasis is being placed on marketing and selling Missouri as a great place to conduct and expand businesses and improve community infrastructure. The benefits of this new structure are the opportunity to have more staff in the field offering the full line of services to communities and businesses and allowing for better communication and increased cooperation and efficiencies. The new Division is structured with teams as follows: Sales, Marketing, Finance and Compliance.
- ❑ Business and Community Services will help create the environment in Missouri’s communities that will stimulate family supporting jobs and new private investment, to allow for future sustainable growth by increasing opportunities for new local and state revenues, and promote Missouri as a great place to do business.
- ❑ The Incentives Review Committee evaluated and made recommendations in November 2005 regarding state and local incentives relating to small business development; seed or venture capital; industry specific programs; competitive projects; infrastructure development; community development; redevelopment; workforce development and affordable housing development to determine if they are effective, efficient and fair. Recommendations included the modification or elimination of existing programs, creation of new programs, combining of programs or maintaining programs. The recommendations approved by the Governor have been drafted into legislation.
- ❑ The DREAM initiative, or Downtown Revitalization Economic Assistance for Missouri, partners DED, the Missouri Development Finance Board (MDFB) and the Missouri Housing Development Commission (MHDC) has been introduced to provide technical and financial assistance to select communities to accelerate downtown redevelopment by 1) centralizing several major state incentives; 2) offering direct access to financial technical assistance at the preliminary proposal stage; 3) the support of a team of professionals specifically dedicated to helping to rebuild the central business district; and 4) substantially shortening the redevelopment timeline.

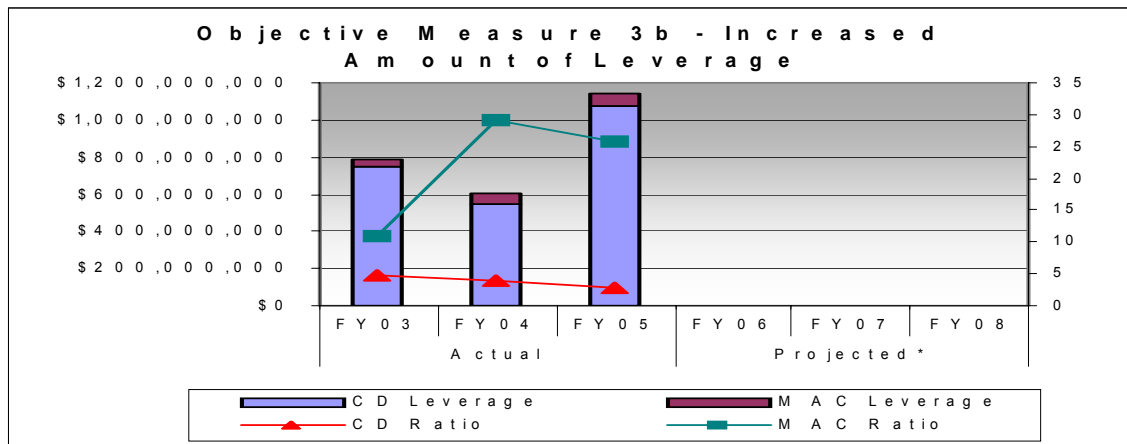
Efficiencies

- ❑ On January 31, 2005, a new website was launched designed to provide an instructional environment for businesses seeking a location in Missouri and for existing businesses to access resources to assist with possible expansions. The foreign language pages of the website were completed in late July 2005. The overall website has experienced growth in utilization of approximately 80% since January 2005, receiving approximately 12,000 unique visitors per month. With the creation of the new Business and Community Services division, other efficiencies include the utilization of the website to disseminate program information, provide electronic copies of all program applications/tax credit forms, communicate results and have electronic links to partnering agencies/organizations websites. All program-related applications can be easily accessed and downloaded by the customer. Costs are reduced through the reduction in printing and postage. Efficiencies are gained by having consistent and correct program information available for customer and staff use at a single location.
- ❑ Due to the content management system that supports the website; content enhancements can be done in the business unit as opposed to sending out to MIS. Where MIS bills at a direct hourly rate of approximately \$33 per hour, internal content management for the division carried a direct labor hour rate of roughly \$20 per hour.
- ❑ Formerly, the Department of Economic Development and its divisions were producing and distributing multiple newsletters in various formats. Some of these newsletters included the following: *Missouri Focus* (Business Development and Trade); *Trendsights* (Economic Research and Information Center); the *Community Compass* (Community Development); and *Missouri Enterprise* (Public Relations). As of July 1, 2005, newsletter development was successfully consolidated under the new generation of *Missouri Focus*, which was elevated from a divisional newsletter to a departmental newsletter. As a result of the consolidation, the number of staff involved in newsletter development decreased from five people in four divisions to two people in the department. Print costs associated with previous newsletters have gone to \$0.00 following full conversion to html email format. Distribution size of the newsletter has increased to roughly 3,800 Missouri citizens at a cost of \$0.0165 per email sent. As an example of optimizing costs to maximize constituent outreach, *Missouri Focus* cost the department a total of \$887 (not including staff time) to reach 3,800 Missouri readers on a weekly basis for the three months beginning July 1, 2005 and ending September 30, 2005.
- ❑ The department is charging the recipient of any tax credit a fee in an amount up to 2.5% of the tax credits issued. The fees will be used first for marketing, technical assistance, training, contracts for specialized economic development services, and new initiatives and pilot programming to address economic trends. Any remaining money may be used for staffing, operating expenses and accountability functions of the department.

References

- ❑ Expansion Management
- ❑ PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree™
- ❑ Progressive Policy Institute
- ❑ U.S. Department of Commerce
- ❑ Report of Missouri Incentive Review Programs, November 22, 2005

Leveraged Funds



*Projections are not made for measures including performance on tax credits

Note: Chart reflects the leverage of Community Development and Missouri Arts Council.

Definition of Leverage

Leverage tracks the ratio, or level, of department investment into a project compared to all other sources of funding, including corporate, foundation, local, federal and not-for-profit organization funding.

Importance

Through increased leverage, a more efficient use of department (state and federal) resources can be achieved. By increasing the leverage ratio, less department resources will be required to complete projects.

Trends

- For fiscal years 1999 through 2005 the leverage ratio for community development projects has ranged from 1:2.49 to 1:7.44 or for every \$1.00 of funding for community development projects, \$7.44 of additional resources have been committed from other funding sources. In 2005, the leverage ratio was 1:2.89.
- In 2004, the MAC leverage ratio was 1:29.2 or for every \$1.00 of MAC funding, \$29.20 of additional resources were committed from other funding sources. In 2005 our leverage ratio declined 11.8% to 25.8%. Although there was a significant increase in local governments' arts funding, there appeared to be major declines in foundation and private/corporate giving.

Comparison

- No national standards or data is available.

Strategies

- The divisions of Business Development & Trade and Community Development have been combined into the new Business and Community Services. More emphasis is being placed on marketing and selling Missouri as a great place to conduct and expand businesses and improve community infrastructure. The benefits of this new structure are the opportunity to have more staff in the field offering the full line of services to communities and businesses and allowing for better communication and increased cooperation and efficiencies. The new Division is structured with teams as follows: Sales, Marketing, Finance and Compliance.

- ❑ The Incentives Review Committee evaluated and made recommendations in November 2005 regarding state and local incentives relating to small business development; seed or venture capital; industry specific programs; competitive projects; infrastructure development; community development; redevelopment; workforce development and affordable housing development to determine if they are effective, efficient and fair. Recommendations included the modification or elimination of existing programs, creation of new programs, combining of programs or maintaining programs. The recommendations approved by the Governor have been drafted into legislation.

MAC will support non-profit organizations by:

- ❑ Conducting workshops, seminars, town hall meetings and focus groups throughout the state.
- ❑ Increasing the number of electronic communications.
- ❑ Providing technical assistance to our constituents.

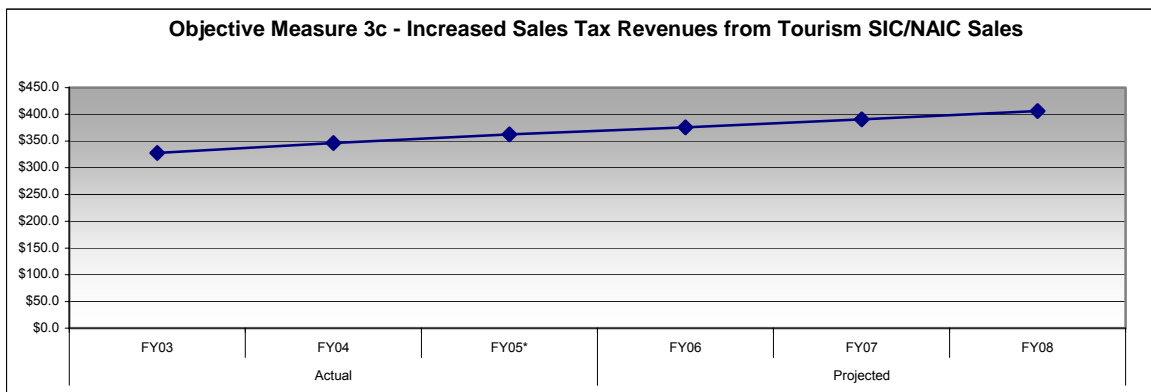
Efficiencies

- ❑ DED is currently in the process of converting several websites to the new structure. The website will be enhanced to disseminate program information, provide electronic copies of all program applications/tax credit forms, communicate results and have electronic links to partnering agencies/organizations websites. All program-related applications can be easily accessed and downloaded by the customer. Costs are reduced through the reduction in printing and postage. Efficiencies are gained by having consistent and correct program information available for customer and staff use at a single location.
- ❑ The Department initiated legislation that authorizes charging the recipient of any tax credit a fee in an amount up to 2.5% of the tax credits issued. The fees will be used first for marketing, technical assistance, training, contracts for specialized economic development services, and new initiatives and pilot programming to address economic trends. Any remaining money may be used for staffing, operating expenses and accountability functions of the department.
- ❑ For 2007 MAC is planning grant writing and arts-in-education workshops and seminars.

References

Report of Missouri Incentive Review Programs, November 22, 2005

Financial Resources



**Estimated*

Definition of Tax Revenues from Tourism SIC/NAIC Sales

The Missouri Division of Tourism (MDT) measures performance by sales tax revenue generated from businesses that fall within 17 tourism-related Standard Industry Classification (SIC) codes. The sales are reported by the Missouri Department of Revenue. North American Industrial Classification System (NAICS) codes are a new method of classifying businesses. The NAICS codes will be used by MDT when implemented by the Department of Revenue.

Importance

The direct impact of tourism on Missouri's economy can be identified by using the sales reported on the SIC/NAICS codes. Sales and the resulting sales tax revenues generated from the tourism SIC/NAICS codes are deposited into general revenue thereby contributing to the benefit of state services overall. Additionally, tourism provides local communities with an industry for job creation and retention, which improves quality of life, increasing community value. Increasing domestic and international visitor spending through MDT marketing is a method of fortifying the state economy in a positive manner, fueling the economy.

Trends

- ❑ Actual sales tax revenues collected from the 17 tourism SIC codes are expected to reach a record \$378.7 million in FY2006, an increase of 4.4% over FY2005.
- ❑ Missouri hosted 38.5 million domestic leisure visitors during FY2005, up 2.1% from FY2004.
- ❑ Employment in tourism-related industries totaled a record 284,916 during FY2005, a 2.3% increase over FY2004.
- ❑ The Internet is an important element influencing the delivery of travel information. It is also restructuring the travel distribution system and providing price transparency for the consumer. The VisitMO.com website provides up-to-date tourism information 24/7. Web visits totaled 2,150,276 in CY2005 (up 385,868 from CY2004), a 21.9% increase. MDT utilizes a system counting qualified web visits.
- ❑ Tourism industries are impacted by:
 - Consumer confidence
 - Safety and health related issues
 - Shift in market behavior from flying to driving
 - Exchange rates
 - Demand for Cooperative Marketing matching funds
 - Increased competition
 - Increased marketing/advertising costs
 - Fuel costs

Comparison

All comparative market assessment data is from the Travel Industry Association of America (TIA).

National Comparison – Based on the 48 contiguous states and the District of Columbia

- ❑ During FY2005, Missouri's market share of all domestic visitors is 2.9%.

Strategies

Tourism promotion and public relations efforts are major contributors for generating tourism activity in the state. Cooperative marketing and tourism industry partnerships also play a large part in increasing direct domestic tourism expenditures. Research-based marketing identifies market segments that have a higher propensity to travel in Missouri and targets those groups for marketing purposes.

Key goals for Missouri Division of Tourism are more visitors, staying longer and spending more. The Missouri Welcome Centers assist visitors in extending their stay by providing "in person" customer service and information regarding accommodations, attractions and events. Employee

work hours are staggered using flextime and scheduling to extend hours so that facilities will be open during evenings and weekends without adding cost.

Efficiencies

The agency has combined certain marketing initiatives that have produced significant savings. The Missouri Division of Tourism has identified \$70,000 in savings by consolidating how it collects information for the Missouri Vacation Planner, \$12,000 in savings by placing its marketing plan online instead of providing paper copies, and savings of \$1,200 in additional marketing plan changes. In addition, the spring marketing campaign is a powerhouse will provide a strong call to action urging customers to VisitMO and explore web resources.

References

- ❑ Michael Kaylen, Ph.D.: University of Missouri - Tourism Economics Research Initiative (MU-TERI)
- ❑ Travel Industries Association of America (TIA)
- ❑ Missouri Department of Revenue

V. Quality of Life for Missourians

Although there are no national standards by which healthy, thriving, successful communities may be measured, the areas in which communities must be adequate are:

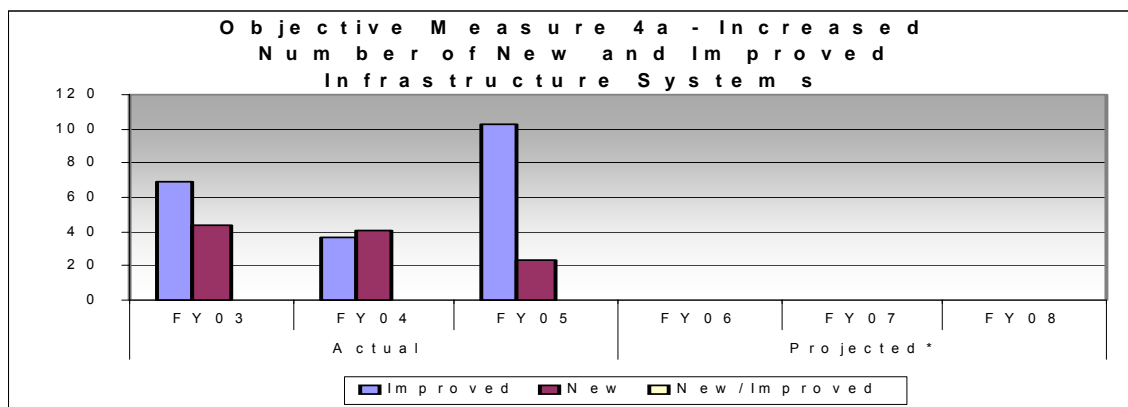
- ❑ Physical Infrastructure - e.g., water, waste water, streets, bridges, sidewalks, drainage
- ❑ Housing – private ownership and rental housing needs met
- ❑ Community services – community facilities and services to meet the needs of the community
- ❑ Citizenship – volunteer hours
- ❑ Professional licensing – licensing qualified professionals

The department contributes to building self-sustaining communities through its resources and programs designed to impact the critical areas of physical infrastructure, housing, community services, financial resources and citizenship, including professional licensing, to:

- ❑ Broaden the appreciation and availability of the arts in Missouri by providing assistance to local communities for events meeting the interests and needs of local audiences
- ❑ Provide assistance to communities to improve the physical assets of communities, including housing, public/non-profit/for-profit buildings and physical infrastructure
- ❑ Promote local involvement in community development and improvement projects through assistance to communities to increase their ability to increase volunteerism, provide educational opportunities and support local efforts that help to meet the needs of those living and working in the community
- ❑ License qualified professionals to practice in Missouri

The department is willing to explore ideas to implement a statewide plan for housing and health inspections to ensure public safety and enhance the quality of life for Missourians.

Community Infrastructure



**Projections are not made for measures including performance on tax credits*

Definition of Infrastructure System

This is a measure of those public infrastructure systems that have been newly created or improved through assistance from the Department. Examples of infrastructure systems are sewer systems, water systems, streets and drainage systems. These are the actual numbers of new and improved infrastructure systems counted in the quarter that the infrastructure system became a reality, e.g., sewer system working.

Importance

Public funding support for infrastructure projects allows for the planned growth of a community. The primary focus areas for department support include projects that impact public health/safety, environmental issues and economic development.

Trends

- ❑ Urban Development, the federal agency that provides funding for the Community Development Block Grant, indicates that the primary categories for funding assistance nationally involve water and sewer projects. Based on the number of approved applications, the Missouri Community Development Block Grant follows the national trend.
- ❑ While state budget reductions have reduced the ability of the Department of Natural Resources to participate at past funding levels on joint water/waste water projects, their costs have continued to increase. As a result, the ability to leverage existing Community Development Block Grant dollars with other local, state and federal resources has increased in importance.
- ❑ The U.S. Department of Housing and Urban Development is developing national program procedures for the timely expenditure of Community Development Block Grant funds. These procedures may impact the Missouri program by shortening the timeframes for expenditures, possibly reducing flexibility and negatively impacting funding.
- ❑ Federal funding for the Community Development Block Grant Program has experienced a 10 percent decrease for the 2006 fiscal year. This trend is expected to continue, with another 10 percent reduction in funding anticipated for 2007. As a result, the number of applications approved and completed may be reduced.

Comparison

- ❑ There is no national comparative data available.
- ❑ The U.S. Department of Housing and Urban Development is currently working on federal benchmarks for the Community Development Block Grant.

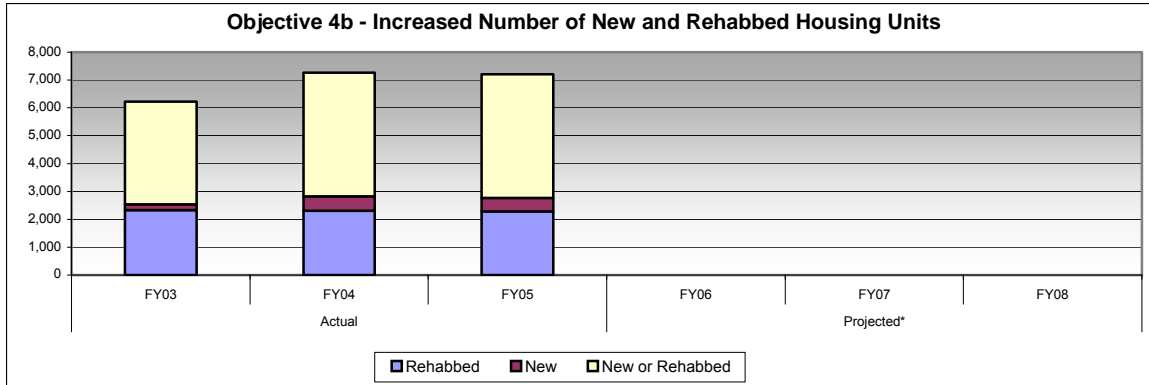
Strategies

- ❑ The Department administers the Community Development Block Grant program which contributes to the Quality of Life-Physical Infrastructure Measure.
- ❑ Partnerships with other agencies funding similar projects help to use resources most efficiently and effectively. For example, the Missouri Water and Waste Water Review Team provides technical assistance, grant review and joint funding of water and wastewater projects. This team includes the Department of Natural Resources, U.S. Department of Agriculture Rural Development and the Community Development Block Grant.
- ❑ The DREAM initiative, or Downtown Revitalization Economic Assistance for Missouri, partners DED, the Missouri Development Finance Board (MDFB) and the Missouri Housing Development Commission (MHDC) has been introduced to provide technical and financial assistance to select communities to accelerate downtown redevelopment by 1) centralizing several major state incentives; 2) offering direct access to financial technical assistance at the preliminary proposal stage; 3) the support of a team of professionals specifically dedicated to helping to rebuild the central business district; and 4) substantially shortening the redevelopment timeline.
- ❑ The Incentives Review Committee evaluated and made recommendations in November 2005 regarding state and local incentives relating to small business development; seed or venture capital; industry specific programs; competitive projects; infrastructure development; community development; redevelopment; workforce development and affordable housing development to determine if they are effective, efficient and fair. Recommendations included the modification or elimination of existing programs, creation of new programs, combining of programs or maintaining programs. The recommendations approved by the Governor have been drafted into legislation.

References

- ❑ No additional references cited

Housing Units for Missourians



**Projections are not made for measures including performance on tax credits*

Definition of New and Rehabbed Housing Units

This is a measure of housing units being constructed and existing housing units that are being renovated through assistance from the Department. These are actual numbers of new and renovated housing units counted in the fiscal year in which they will be completed or financed.

Importance

Housing is a key component that impacts the stability and growth of a community's tax base. The availability of both affordable and market rate housing is directly related to the potential economic development success of a community. If a community has sufficient affordable housing to support the workforce of a major employer, new employers are more likely to locate to a community and existing employers are more likely to remain in a community.

Market rate housing is also important because it provides a variety of choice within a community that will be needed in order to attract the workforce for Missouri's targeted growth industries. In addition, efforts supporting market rate housing help to stabilize neighborhoods while providing an opportunity for the individual property owner to improve his/her net worth.

Trends

- ❑ There is a tremendous need for quality, safe, affordable housing in Missouri. According to 2000 Census data, there were 98,246 renter households that paid more than 50% of their income for rent alone. In 1990, there were 95,451 households paying more than 50% of their income for rent. Every year, many units of affordable housing in Missouri are abandoned, demolished or converted to market rate housing.
- ❑ The trends in market rate housing include:
 - The conversion of older, underused buildings into mixed use developments that include housing
 - Reinvestment into distressed areas that help to stabilize and reverse declining property values through housing in-fill and rehabilitation projects
 - Revitalization of older and historic owner-occupied homes.
- ❑ Affordability is the key. According to the U.S. Census Bureau, a family is rent burdened if they pay more than 30% of their income for rent. If a family pays more than 30% of their income for rent, obviously this leaves very little for other basic necessities of life, such as food, clothing, health care, education and transportation.
- ❑ The demand for the funding support provided by state redevelopment housing programs continues to exceed existing appropriation levels. This could delay or stop some projects that rely on state tax incentives to leverage private investment dollars. This may negatively impact private investment into this segment of the state and local economy.

- ❑ 2000 Census data shows that the population 65 and older was approximately 755,000 in Missouri. Census projections estimate that in Missouri the 65 and older age group will increase 8.8% between 2000 and 2010, and by 72% between 2000 and 2030.
- ❑ The current need for affordable rental housing for seniors is clearly demonstrated by the estimated 26,242 elderly 1-2 person households who had severe rent burdens, i.e. paid more than 50% of their income for rent in 2002. There are also many seniors who have owned their home for many years and now have difficulty maintaining and repairing their home on a fixed income. There are an estimated 24,201 elderly owner households with a severe cost burden (who pay more than 50% of their income for their housing) in 2002. In some cases their housing situation no longer matches their current needs. There will likely be a tremendous need for accessibility improvements to existing homes to allow seniors to age in place.

Comparison

- ❑ There are no nationally recognized standards for affordable housing development. However, based upon the 2000 U.S. Census, Missouri has a higher percentage of residents who own their homes than the national average (Missouri – 70.3%; National – 67.5%). Also, Missouri has a lower percentage of people who rent or own their home that are considered “financially burdened” than the national average. (Missouri – 18.4%; National – 24.0%)
- ❑ The State of Missouri mirrors the rest of the country in that a large portion of our population will soon begin to enter their post-retirement years and the demand for affordable housing for seniors will increase rapidly in the coming years. According to Census data, the first wave of the baby boom generation will turn 65 in 2011. This will begin a rapid rise in the older population. The older population in the United States is expected to increase 100% between 2000 and 2030.

Strategies

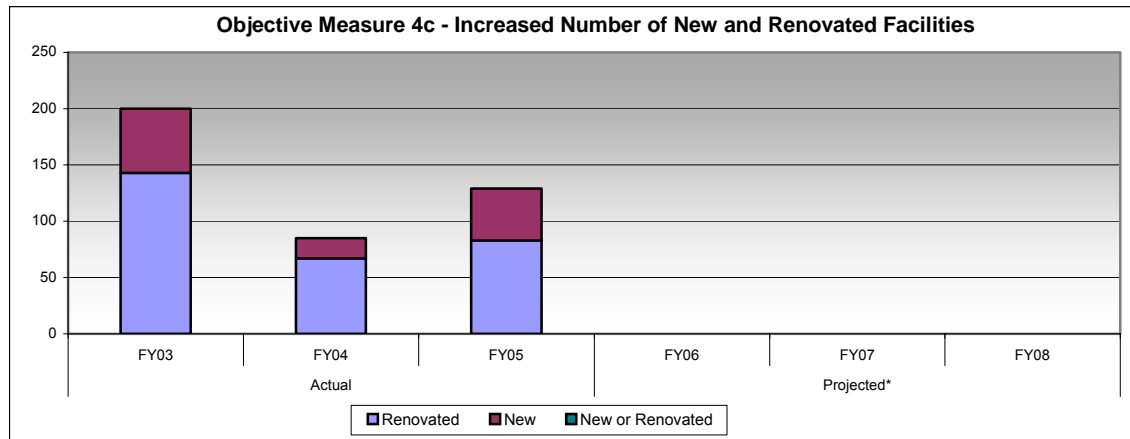
- ❑ The Department administers several programs which contribute to the Quality of Life-Housing Units Measure. These programs include:
 - Community Development Bank Tax Credit
 - Community Development Block Grant
 - Historic Preservation Tax Credit
 - Missouri Low Income Housing Tax Credit
 - Neighborhood Preservation Tax Credit
 - Affordable Housing Assistance Tax Credit
 - Neighborhood Assistance Tax Credit
- ❑ The DREAM initiative, or Downtown Revitalization Economic Assistance for Missouri, partners DED, the Missouri Development Finance Board (MDFB) and the Missouri Housing Development Commission (MHDC) has been introduced to provide technical and financial assistance to select communities to accelerate downtown redevelopment by 1) centralizing several major state incentives; 2) offering direct access to financial technical assistance at the preliminary proposal stage; 3) the support of a team of professionals specifically dedicated to helping to rebuild the central business district; and 4) substantially shortening the redevelopment timeline.
- ❑ The Incentives Review Committee evaluated and made recommendations in November 2005 regarding state and local incentives relating to small business development; seed or venture capital; industry specific programs; competitive projects; infrastructure development; community development; redevelopment; workforce development and affordable housing development to determine if they are effective, efficient and fair. Recommendations included the modification or elimination of existing programs, creation of new programs, combining of programs or maintaining programs. The recommendations approved by the Governor have been drafted into legislation.
- ❑ The State of Missouri is committed to finding innovative solutions to meet the entire spectrum of the affordable housing needs of its most vulnerable seniors. Governor Matt Blunt has directed the Department of Economic Development and the Missouri Housing Development Commission to coordinate this effort to find innovative solutions to this problem. Governor

Blunt will appoint a task force of Missouri citizens and housing professionals to examine these issues and make recommendations on ways to improve and increase the State's ability to meet the affordable housing needs of its seniors.

References

- U.S. Census Bureau

Community Facilities



**Projections are not made for measures including performance on tax credits*

Definition of New and Renovated Facilities

This is a measure of those newly created facilities and existing facilities in the public, non-profit, and for-profit sectors that have been improved or rehabbed through assistance from the Department. These are actual numbers of new and renovated facilities counted in the quarter that the facility became a reality with its doors open to the public.

Importance

- Renovated Facilities
 - Puts under-utilized facilities back into productive use
 - Mixed use facilities can provide for a number of community/neighborhood needs (commercial/office/retail/housing)
 - More cost effective from a community infrastructure standpoint because the service is already in place
 - The for-profit sector increases the tax base of the community.
- New Facilities
 - Provides a facility in the community that fulfills a need that is currently not being addressed (Senior Citizen Center, YMCA, Fire Station, etc.)
 - In the for-profit sector, it increases the communities' tax base.

Trends

- Many projects with communities (public sector) are renovations of existing buildings, bringing those buildings into ADA compliance.
- Many non-profit sector projects were negatively impacted by the increased difficulty in getting contributions from businesses and individuals due to the recent slowdown in the economy and the resulting decrease in business and individual taxable income. Recent trends seem to indicate that the levels of contributions are rebounding as a result of the improved economy.
- In the for-profit sector:

- Projects that have sellable tax credits provide a means for the developer of a project to raise additional equity; therefore, more and larger projects are being done.
 - The average project cost is rising. Interest rates are still low, but moving higher. The levels of project activity remains strong, but on average additional resources are needed to fill a larger funding gap as a result of the increase in the cost of capital. In addition, increases in material costs are also contributing to the widening gap.
 - Communities are developing and requiring policies on more efficient land use.
- The state budget outlook appears to have improved over the previous fiscal year. Therefore, programs dependent on state funding authorization should continue to play a key role in supporting private for-profit and not-for-profit projects.

Comparison

There are no national standards or databases that can be used for comparisons.

Strategies

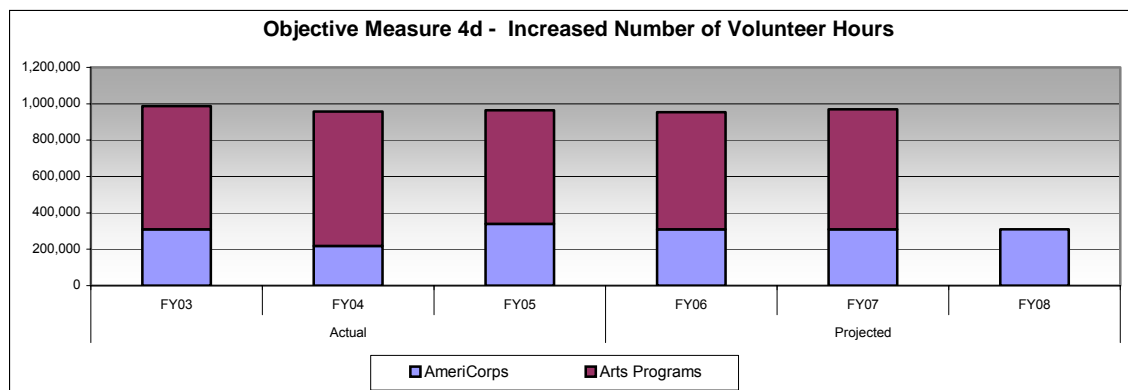
The Department administers several programs which contribute to the Quality of Life-Community Services Measure. These programs include:

- Community Development Block Grant
 - Historic Preservation Tax Credit
 - Neighborhood Assistance Tax Credit
- The DREAM initiative, or Downtown Revitalization Economic Assistance for Missouri, partners DED, the Missouri Development Finance Board (MDFB) and the Missouri Housing Development Commission (MHDC) has been introduced to provide technical and financial assistance to select communities to accelerate downtown redevelopment by 1) centralizing several major state incentives; 2) offering direct access to financial technical assistance at the preliminary proposal stage; 3) the support of a team of professionals specifically dedicated to helping to rebuild the central business district; and 4) substantially shortening the redevelopment timeline.

References

No additional references cited.

Citizenship



Definition of Volunteer Hours

Volunteer hours are actual hours worked by volunteers to assist agencies or programs that have received Department assistance. The volunteer may receive some payment through certain programs, e.g., AmeriCorps.

Importance

Through the use of volunteers, communities can realize a cost-effective means to meet their needs in such areas as education, public safety, health, the environment and the arts. The ability to utilize volunteers is limited only by a community's effort to identify and organize around an area of need. For example, through the AmeriCorps Program, volunteers tutor and mentor youth, build affordable housing, teach computer skills, clean parks and streams, run after-school programs and help communities respond to disasters.

Trends

- ❑ The overall number of volunteer hours increased from FY2000 to FY2003 with roughly the same number of volunteers. Therefore, the average hours per volunteer increased.
- ❑ Federal funding for AmeriCorps has fluctuated over the last few years. During the 2003 Federal Fiscal Year, funding was reduced. However, the funding level was restored during the 2004 Fiscal Year and continued at the same level for 2005. The number of approved projects in the state and the number of people who participate are directly impacted by this fluctuation in funding.
- ❑ As arts funding began declining in 2003 to not-for-profit arts organizations, employment was cut and volunteers (both artists and the general public) were sought to help present arts events. From 2003 to 2004, the number of volunteers increased 8,400 (or 29%) to 37,489. Volunteer hours increased 3% to 740,775. In 2005, the number of volunteers' hours declined to 624,703 hours. Since it is difficult for long-term volunteer efforts to be sustained, arts organizations increased the number of paid artists and part-time employees by 4%.

Comparison

- ❑ Each year, the Missouri Community Service Commission helps to coordinate "Make a Difference Day" projects in the State of Missouri. Make a Difference Day is a national day of celebration dedicated to getting volunteers involved in community-based projects. The number of registered projects has trended down over the last couple of years. In 2005, Missouri registered 37 projects as compared to 197 in 2004. While in 2003, Missouri registered 493 projects and ranked first in the nation for total number of registered projects.

Strategies

- ❑ Promoting volunteerism and community services, federally funded through the National Community Service Programs, including the AmeriCorps program through the Missouri Community Service Commission.
- ❑ Promoting volunteerism as good citizenship and to strengthen the arts in Missouri. Hundreds of volunteers work in organizations receiving program-related funding through the Missouri Arts Council.

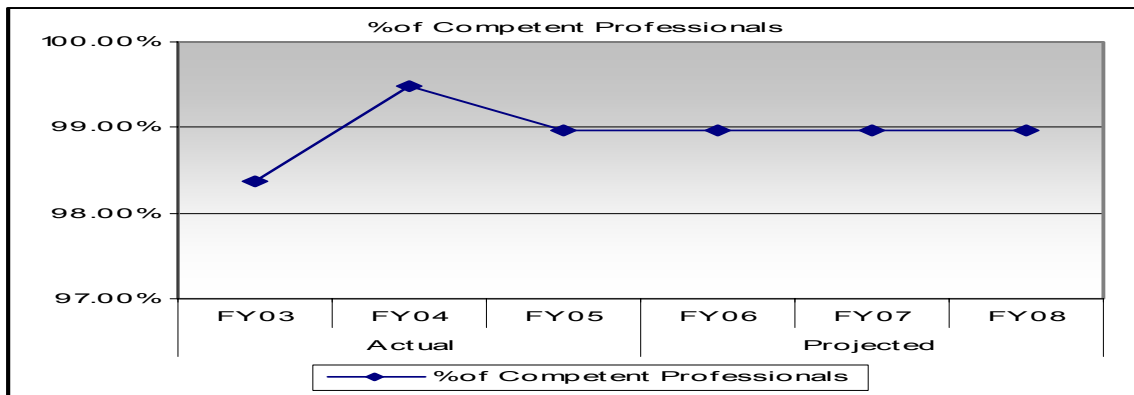
References

No additional reference cited.

Licensing Qualified Professionals

Executive Order 4, signed February 1, 2006, will transfer the Divisions of Finance and Credit Unions to the Missouri Department of Insurance, Financial Institutions and Professional Registration, effective August 28, 2006.

Objective Measure 4e - Increase the number of licensees with no violations



To protect and serve the public by licensing and regulating qualified individual licensees and entities in accordance with the laws administered by the Division of Professional Registration. These measures in part reflect the efficiency and effectiveness gained by better utilizing technology and internet-based access without adding additional staff.

Definition of a Competent Professional

Those that are practicing their profession without violations.

Importance

To protect the public by providing an accessible, responsible and accountable regulatory system.

Trends

- ❑ Aging baby boomers are increasing the demand for health professionals.
- ❑ Economic fluctuations impact the business climate for professionals and the number of students entering into various professions.
- ❑ The ongoing receipt of complaints resulting in investigations/disciplines continues to improve the quality of service provided to the public by the professionals we regulate.

Comparison

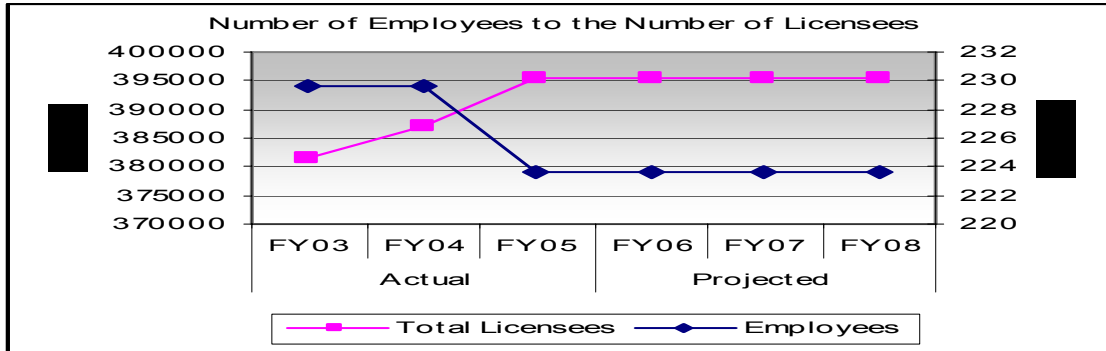
There are no national standards. Although all states have a similar responsibility to ensure ethical and honest services by licensed professionals, the methodology differs from state to state.

Strategies

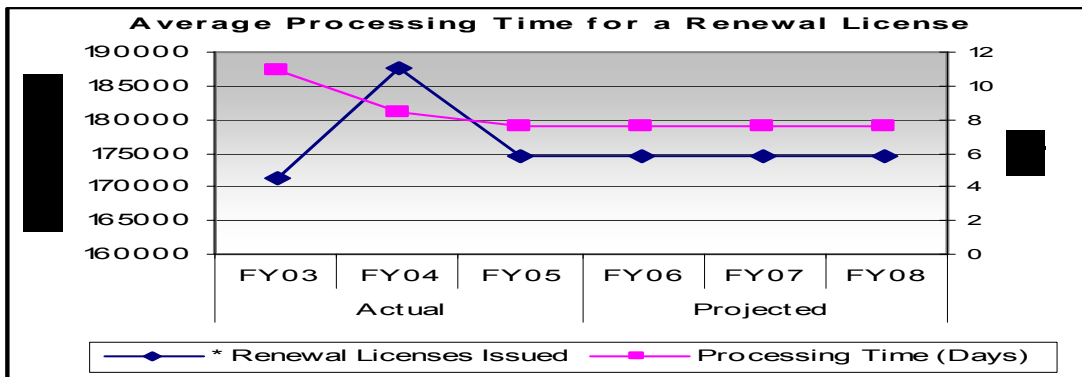
- ❑ Enhancing and refining existing statutes and rules to assist in the implementation and enforcement of the licensing and regulation requirements
- ❑ Reducing the cost of compliance, including the amount of paperwork for licensees, board members and the public, by utilizing current technology
- ❑ Improving public protection by requiring continuing education/training for licensees
- ❑ Continuing to evaluate process times and implementation of results for complaints and licensing for each board.

Efficiencies

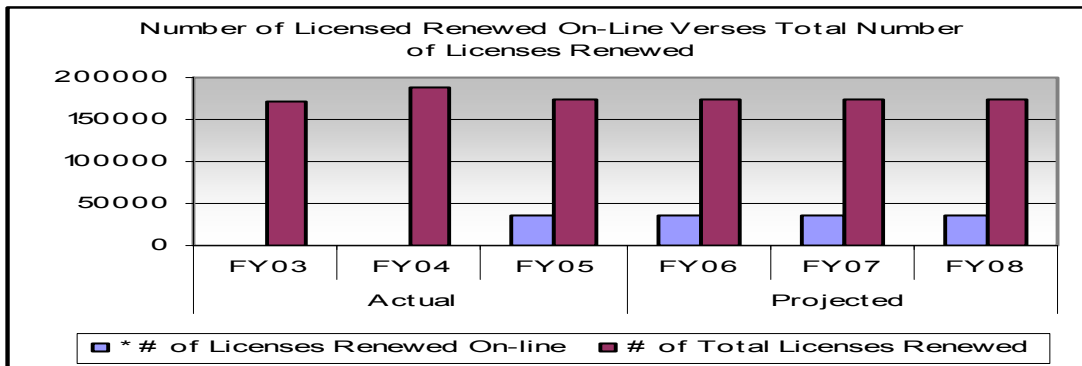
Measure 1: Maintain the current number of staff providing services to an increasing number of licensees



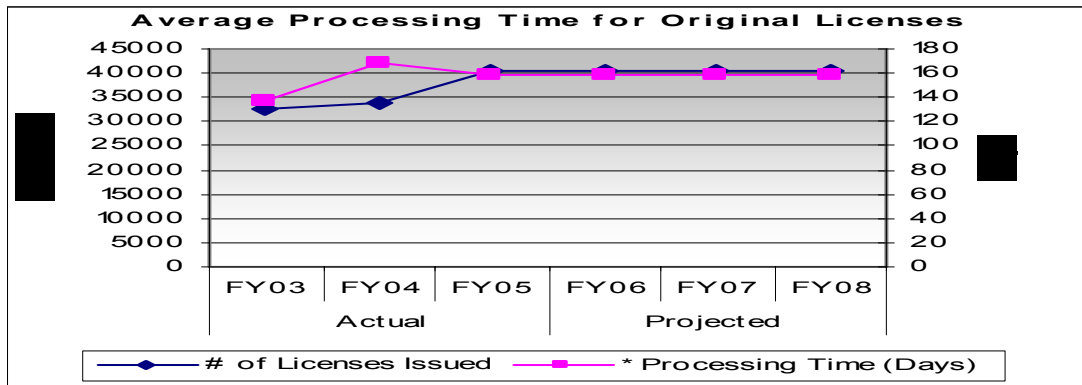
Measure 2: Improve the average process time of renewals (*Numbers reflect biennial renewal process)



Measure 3: Increase the number of licensees renewing on-line (*Numbers reflect biennial renewal process)



Measure 4- Improve the average process time of applications (* Processing time on original licenses could include application time, passing a test, supervision requirements, apprenticeship and fingerprinting.)



References

No additional references cited.

VI. Departmental Efficiency & Cost Savings

The Department of Economic Development has been working diligently to increase the operating efficiency, accountability and responsiveness of state government. Through these efforts, DED has been able to reduce costs and eliminate the duplicative use of resources.

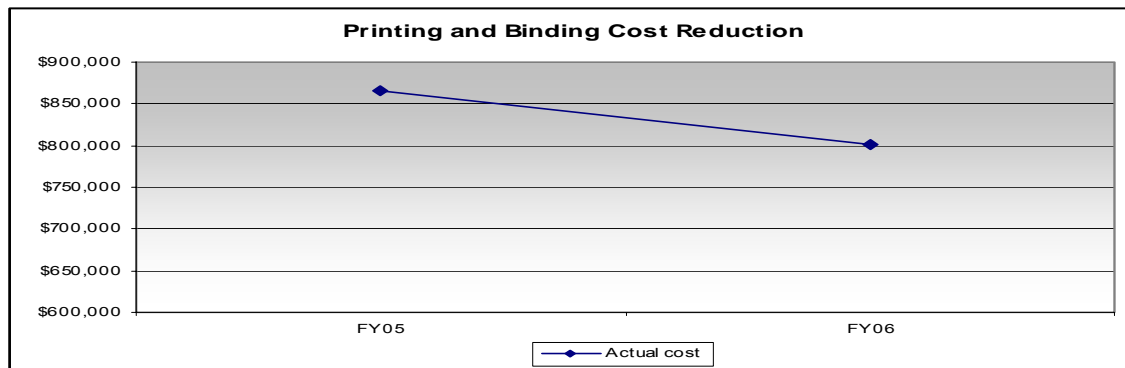
Efficiency

General Services is currently working with the Office of Administration (OA) to develop a strategy to consolidate mailroom operations with OA and all other Executive Departments. On July 1, 2006, DED transferred the management of building leases and state owned buildings to OA Facilities Management. In addition, DED has already consolidated the DED Administration vehicle fleet with the OA vehicle fleet.

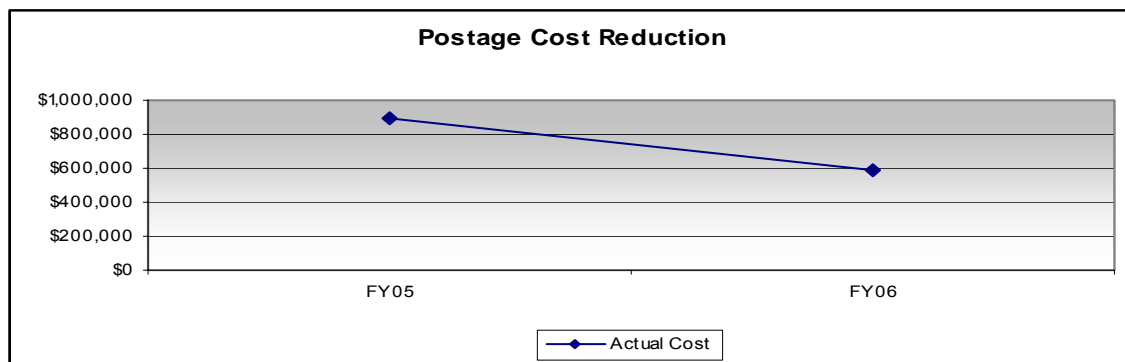
Cost Savings

DED continues to proactively improve network utilization, managing internet usage, enforcing State policies and improving employee productivity.

Throughout the department cost savings has been realized by printing less paper documents and brochures. Instead, many publications, applications and newsletters that were formerly printed are now available on the web site. With information on the web site, customers have instant access to information at all hours of the day and night, not just regular office hours or waiting for hard copy to arrive through the mail service.



As expected, with more information and applications available on the web site, less brochures, applications and newsletters were mailed, thus reducing the cost for postage.



Customer Service

Divisions within the department that have direct customer contact with the public have extended service hours. The Division of Tourism operates six Welcome Centers, open seven days a week, to assist travelers and provide maps, directions, brochures and information about local attractions.

In addition, several of the Career Centers are open until 6 p.m. and some are open on weekends. The Career Centers, governed by 14 regional boards, are places where job seekers and businesses can access employment and skill development services that reflect local community and economic needs.

Project managers from the Sales Team in Business and Community Services adjust schedules to attend meetings in communities during evenings and weekends as requested to discuss current or potential projects, to gather or present information or provide educational materials. Examples of meetings include planning commission, economic development council, chamber of commerce and town hall meetings.

Cross-Training of Employees

With the restructuring of Business and Community Services, employees are more versatile in their jobs. For example, in the past, communities had multiple contacts in the department for their business and community needs. Now, the Sales Team is the contact for all projects in the community, whether a business-related or community-based project. Those on the finance team specialize in certain programs, but could transition into a project manager or compliance positions, as the career classification and core responsibilities and requirements are the same.

Outsourcing

The department has entered into an agreement with the University of Missouri to process approximately 425,000 mail pieces at a rate of \$.309 per piece rather than DED's processing cost of \$.352 per piece, a difference of \$.043 per piece. Total savings is estimated to be approximately \$18,275 per year.

The department will actively investigate and pursue additional opportunities to save taxpayer dollars through the contracting of services.

Technology Usage

The use of technology is making DED more accessible than ever. The Public Service Commission and Professional Registration broadcast Commission hearings and board meetings live through the internet. Benefits for PSC are that staff may listen but continue working at their desks until they offer testimony in cases before the Commission. Customers of both divisions benefit as they are able to listen to the Commission hearings from their homes instead of physically traveling to the site. Professional Registration also records board meetings for download so customers access at their convenience.

The table below gives a small sample of the information that DED has made available electronically. Not long ago, this information was only available through personal contact with the department during regular business hours. Now, information regarding programs, jobs, calendars, events, etc. is available day and night, weekdays, weekends and holidays – or in other words – 24/7/365.

	<i>Applications & Forms</i>	<i>Newsletters</i>	<i>DED Contacts</i>	<i>Employee Information/Archive</i>	<i>Partner agency/industry information</i>	<i>Training/Public Meeting Calendar</i>
Administration	<ul style="list-style-type: none"> ● State on-line application ● DED forms ● DED Policies ● Employee Handbook 		<ul style="list-style-type: none"> ● Intranet employee directory w/ staff photos 	<ul style="list-style-type: none"> ● DED intranet job postings ● DED org charts ● Web-based time/leave system ● Resource Library on-line listing 	<ul style="list-style-type: none"> ● Links to employee benefit providers ● State-agency job openings 	<ul style="list-style-type: none"> ● DED training schedule ● DWD training schedule
Business & Community Services	<ul style="list-style-type: none"> ● Program descriptions ● Program applications and forms ● Program annual reports 	<ul style="list-style-type: none"> ● Missouri Focus 	<ul style="list-style-type: none"> ● Links to Project Managers ● Links to Finance Team Managers 	<ul style="list-style-type: none"> ● DED Intranet site 	<ul style="list-style-type: none"> ● Link to industry associations ● Link to Missouri Exporters Directory 	<ul style="list-style-type: none"> ● Event Calendar
Tourism	<ul style="list-style-type: none"> ● Coop marketing Guidelines & Forms (PDF format, not online submission) ● Missouri Vacation Planner (Online order form) ● Extranet (Industry portal to update Vacation Planner or web site listings) 	<ul style="list-style-type: none"> ● Tourism Monitor (Monthly Newsletter) ● E-bounce (Automatic e-mail that sends information about vacation opportunities of interest to customers registering on the web site) 	<ul style="list-style-type: none"> ● Missouri Tourism Commission and staff contact list 	<ul style="list-style-type: none"> ● Facts and Fun ● Newsletter archive ● Public Drive Archive of Campaigns ● Research 	<ul style="list-style-type: none"> ● Links to other tourism related state agencies ● Chambers of Commerce ● Convention and Visitors Bureaus ● Organizations and Associations ● Industry Information section on VisitMo.com web site 	<ul style="list-style-type: none"> ● Events calendar (Visitor info such as fairs, festivals, etc.) ● Industry Calendar (deadlines for DED applications, events, etc.) ● Online employee training calendar (Mindleaders)
Workforce Development	<ul style="list-style-type: none"> ● GreatHires.org public on-line job matching website. Will soon include 'job crawler' features that will provide access to other websites' job openings ● Share Network: creates universal access to workforce system services for clients of Faith-based and Community Organizations, and fosters innovation. 	<ul style="list-style-type: none"> ● Missouri Focus ● On-line (only) 2005 Annual Report. 	<ul style="list-style-type: none"> ● From DWD website 	<ul style="list-style-type: none"> ● ToolBox on-line case management system 	<ul style="list-style-type: none"> ● New DWD website (launching in July) with links to job seeker and business services, with links to partner websites 	<ul style="list-style-type: none"> ● DWD & partner staff training calendar ● Missouri Employer Committee meeting calendar

Arts Council	<ul style="list-style-type: none"> ● Application and grant forms ● Funding program descriptions 	<ul style="list-style-type: none"> ● MAC notes ● Guide to Festivals ● MarketVolt Surveys & emails 	<ul style="list-style-type: none"> ● Employee listing with specific assignments and contact links 	<ul style="list-style-type: none"> ● Guide to Festivals link on DED intranet site 		<ul style="list-style-type: none"> ● Workshop schedules ● Meeting schedules
Public Service Commission	<ul style="list-style-type: none"> ● Utility statement of Revue Forms (Internet) ● Manufactured Housing Forms ● Employment Applications (Internet) ● Numerous internal forms on PSC's intranet ● Electronic Filing and Information System (EFIS). (Online Case Management, Electronic Filing, eDocket, eLibrary, Consumer Complaint System) 	<ul style="list-style-type: none"> ● Consumer Connection newsletter available on internet 	<ul style="list-style-type: none"> ● Telephone and web address list for staff and key personnel 	<ul style="list-style-type: none"> ● PSC intranet 	<ul style="list-style-type: none"> ● Links to educational information regarding a variety of utility topics and manufactured housing information 	<ul style="list-style-type: none"> ● Hearing schedules ● Commission's agenda schedule ● EFIS training calendar
Office of the Public Counsel	<ul style="list-style-type: none"> ● Not applicable to the type of business OPC conducts 		<ul style="list-style-type: none"> ● Telephone list and links to staff 		<ul style="list-style-type: none"> ● Utility links ● Utility rate links 	
Credit Unions	<ul style="list-style-type: none"> ● Electronic submission of quarterly call reports 	<ul style="list-style-type: none"> ● Quarterly 		<ul style="list-style-type: none"> ● Division specific intranet site 	<ul style="list-style-type: none"> ● Industry specific links on website 	
Finance	<ul style="list-style-type: none"> ● Consumer Complaint form 	<ul style="list-style-type: none"> ● Weekly "Bulletin" of official actions (also available by electronic subscription) ● Current and archival issues of "Update" industry newsletter 	<ul style="list-style-type: none"> ● Field examination staff ● Main office personnel ● Division organization chart 	<ul style="list-style-type: none"> ● Disaster Recovery Plan ● Utilize examination report processing software to facilitate data collection and database building efforts ● Utilize technology to eliminate duplicate quarterly information submission (reduce regulatory burden) 	<ul style="list-style-type: none"> ● Links to Federal regulators ● Lists of all regulated entities ● Links to State and Federal laws/regulations governing institutions/transactions ● Links to financial education links and content authored by State and Federal agencies 	<ul style="list-style-type: none"> ● List of bank holidays ● Banker Outreach meeting dates for fall 2006

Professional Registration	<ul style="list-style-type: none"> ● License renewal forms ● On-line renewals ● Application for Licensure Forms ● Licensure Requirements ● Change of Address Forms ● Complaint Forms ● Guidelines and Position Papers ● Discipline Monitoring Forms ● Profession Specific Lists-- i.e., Pharmacy Technician Disqualification List and Revised Generic Drug Formulary ● Examination Results <p>Intranet Site</p> <ul style="list-style-type: none"> ● CIU Referral Form ● Education Reimbursement ● Facsimile Transmittal ● Forms Management link ● Justification for Purchasing Promotional Item Form ● Letterhead Template ● New Hire Form ● Per Diem Claim Form ● Records Release Form ● Travel Profile ● Vendor Input Form ● Travel Forms 	<ul style="list-style-type: none"> ● Newsletters ● Annual Reports ● Board Meeting Minutes ● Licensee (status, addresses) Search ● Discipline licensee (searchable database) ● Licenses not renewed and HB 600 disciplinary information ● The Advisor Newsletter (intranet) ● Newspapers links and archives ● News Releases 	<ul style="list-style-type: none"> ● Board Staff (internet) ● Board Members (internet) ● Employee Listings, including phone numbers (Intranet) ● State employee phone list (intranet) 	<ul style="list-style-type: none"> ● Previous newsletters and annual reports (internet) ● Notary Publics (intranet) ● Safety Coordinators (intranet) ● Employee benefit information (intranet) ● Department and Division policies (intranet) ● Travel reference information and forms (intranet) ● Legislative Status Report (intranet) ● Rule Status Report (intranet) ● Time and Leave System (intranet) 	<ul style="list-style-type: none"> ● State Government Homepage link (internet and intranet) ● Other State PR Listings (intranet) ● ROMs links ● Rules and Regulations links ● State and national association links ● School/continuing education program links ● testing service links ● Student loan links ● LEAD-R – Licensed Professionals Emergency and Disaster Registry ● Email correspondence with licensees and members of the public ● Daily and weekly newsletters from industry list serve ● Industry and data searches ● Email correspondences to other regulatory jurisdictions 	<ul style="list-style-type: none"> ● Board meeting notices ● Office hours ● examination dates ● Rule reference materials (intranet) ● MOTEC Training link (intranet site) ● OA Training link (intranet) ● Online training (intranet)
----------------------------------	--	---	---	---	---	---

VII. Legislative Action

Through continued efforts by the Department, several important pieces of legislation have been passed that will continue achieving a proper balance between advocating economic opportunities, preserving property rights and protecting the environment.

2004-2005 Legislative Session

One piece of legislation created was the Quality Jobs Act. The Quality Jobs Act allows business owners to keep a portion of the withholding taxes they would ordinarily pay for new employees, and in some instances receive tax credits. The average wage of newly creating jobs must be at or above the county average wage and the employer must pay at least half of the employee's health insurance premium. To date, over 60 companies have been approved to participate in the program, anticipating the creation/retention of around 11,000 high-paying jobs over the next 3-5 years.

Next, the small business regulatory fairness board was established by the Missouri General Assembly in 2004 and given additional powers and responsibilities in 2005 to ensure that small business owners have a voice in the development of rules and regulations by state agencies. Small businesses are defined as those companies with 100 or fewer full-time or part-time employees.

The board, which plans to host a series of hearings across the state, is required to submit an annual report to Gov. Matt Blunt and the Legislature that evaluates state agency performance and makes recommendations regarding regulatory fairness for Missouri's small businesses. The report will include comments from small business owners, state agency responses and a summary of public testimony brought before the board for consideration.

Based on the recommendations of the Small Business Regulatory Fairness Board, the governor signed into law a regulatory fairness bill. Small business is a vital part of Missouri's economy, and this law will continue to protect businesses by promoting the flow of information to businesses.

By stimulating business growth through legislation such as the Quality Jobs Act and the Small Business Regulatory Fairness Act, Missouri saw a total of 15,995 new business formations in the past year.

However, as necessary as new programs are to an economy, all programs need to be continually reformed to meet the needs of the state's market. Through passing litigation reform in Missouri, the state experienced a 5 place improvement in our national legal climate rank and was recognized by the US Chamber of Commerce for having the most improved legal climate in the nation.

What's more, the governor signed into law workers' compensation reform that restores common sense to the system and restores the balance between employee and employer. By enacting workers compensation reform many businesses are enjoying the economic freedom our market promotes. The bottom line remains that Missouri is attracting and creating jobs, and will continue to do so as long as there is an environment that fosters economic development.

2005-2006 Legislative Session

In 2006, the Department worked with legislators to pass a strong eminent domain reform bill that will protect the right of every Missourian to keep their private property known as House Bill 1944. Under this legislation the property rights of small business owners will be protected while, at the same time, allowing communities to revitalize decaying areas.

Another important piece of legislation passed is House Bill 1270, sponsored by Representative Bob Behnen (R-Kirksville). Under this legislation, gasoline sold in Missouri is required to contain at least 10% fuel ethanol when the prices of the alternative fuel is less than or equal to the price of regular gasoline.

Missouri farmers will benefit greatly from the increased demand on their products, such as corn, that will be used in the creation of ethanol. In addition, the three ethanol processing plants across the state will provide additional revenue for communities. At this time, the three ethanol plants produce an estimated 115 million gallons of ethanol annually, but with the projected need of 315 million gallons of ethanol needed to meet the 10% requirement, two new plants are being constructed, with additional plants being discussed, providing more jobs and opportunities for Missourians.

Another piece of legislation that will have a statewide impact is the passage of Senate Bill 1008, sponsored by Senator David Klindt (R-Bethany). Senate Bill 1008 creates the Governor's Advisory Council on Agricultural Science and Technology. The Council will be responsible for identifying and enlightening the Governor on new areas of agricultural science and technology, providing more opportunities to boost Missouri's growing Life Sciences Industry. Moreover, the Council will provide recommendations on regulatory matters, long-term needs for the agricultural science and technology sector, and future opportunities for the plant biotechnology industry within the state.

The Department also worked with legislators on bills that impact Missouri businesses. The passage of House Bill 1827, created by Representative Jay Wasson (R-Nixa), is an exciting step for small businesses, whose profits were limited due to the high costs of health insurance for employees. Under House Bill 1827 numerous benefits are afforded to small businesses by allowing professional associations of 50 or more will be allowed to purchase health insurance for their employees.

Before House Bill 1827 was created, small businesses paid a high premium for health insurance due to the limited amount of employees to divide costs. However, if health insurance was not offered, the company had trouble attracting quality employees who were dependant on health insurance coverage for their families. With the overwhelming support of the legislature, the Department of Insurance, the Department of Economic Development, and the Governor's office, the bill is currently under technical review before final signing by the Governor.

The second bill designed to benefit Missouri businesses is House Bill 1456, sponsored by Representative Brad Roark (R-Springfield). House Bill 1456, known as Unemployment Insurance Reform, prevents further abuse to current unemployment insurance system while keeping insurance costs to the employer at a minimum, and at the same time maintain the same safe working environment for employees.

Finally, the Department worked to pass legislation specific to certain regions. This year Senate Bill 645, sponsored by Sen. John Griesheimer (R-Washington), was passed, which modifies the Missouri Business Use Incentive for Large-Scale Development Act to expand the definition of "essential industry" to include certain businesses in the City of Fenton. Currently only certain businesses in the City of Hazelwood are given this designation.

This tweak to the BUILD Program is an essential step for Governor Blunt's efforts to leverage Daimler-Chrysler to invest more than \$1 billion to update their production facilities in Fenton. This major investment in Missouri's workforce reinforces every step that Governor Blunt, the legislature, and I have made to move Missouri to the forefront of the world's economy.

Finally, Senate Bill 825, sponsored by Sen. Chris Koster (R-Harrisonville), was passed. This act creates the "Kansas and Missouri Regional Investment District Compact" to promote public transit projects within the Kansas City metropolitan area. This legislation allows the Kansas City metro

area to pool funds raised across the region to pay for improvements that are regional in nature to provide benefits to the residents of Kansas City.

Other Programs

The Purpose of the Missouri Rural Economic Stimulus Act (MORESA) was to provide an incentive to facilitate value-added agriculture projects in rural areas, particularly ethanol or bio-diesel facilities. However, the cost of infrastructure related to an ethanol plant construction project is high. This incentive needs to offset an annual debt in a manner consistent with any projected revenue stream. The current MORESA structure limits that revenue stream to the number of employees at a facility. No applications have been submitted to our department since the program was created in August 2003.

After analyzing the program last summer, the department's Incentive Review Committee recommended improving the program by enacting legislation to (a) Pursue additional incentive opportunities to match resources to the increment financing for public infrastructure; and (b) Determine an option of expanding the authority to create a loan pool to offer low interest loans to incent farmer ownership.

These changes have not yet been pursued through the legislature.

Tax Credit Programs

The Incentives Review Committee conducted a detailed audit of the effectiveness of each tax credit and made recommendations for change but the legislature chose not to pursue.

The department has demonstrated that it is supportive of caps on tax credit programs. The two newest tax credit programs, Missouri Quality Jobs program and Enhanced Enterprise Zone, include caps on the amount of tax credits that can be issued annually.